

### Alex Newman's Complete Guide To Making Money While You Sleep

A Book For Entrepreneurs, And Anyone Who Dreams Of Freedom.

"Beating the system without gaming the system"

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#### Dedications:

To my Family and to "The Mooses" – who made it all possible
To my friends, many and dear
To PV – my warrior friend who is going in the moat
To DW – thinker, ideas man and proofreader extraordinaire – many thanks!
To NB – mentor who showed the way but passed before the dream was fulfilled
And to "The Giants" - upon whose shoulders we stand...

"Living well is the best revenge"

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#### **DISCLAIMER**

This book does not in any way guarantee that you will make, or that you will not lose, money - while you sleep or otherwise! It is a book of *ideas*, *possibilities and opinions* written in the hope that you will gain some inspiration, a fresh perspective, and in the hope that you may be able to apply these ideas profitably. Some of these ideas have been tried and tested by me, some have not. While every care has been taken in the preparation of this book, no guarantees whatsoever are made as to the accuracy, timeliness or usefulness of the information herein.

Although it is my sincere hope and belief that the ideas and methods of this book will lead to great success, I make no guarantees whatsoever of any results in conjunction with the materials in this book. I specifically disclaim all responsibility for the outcomes of anything you have attempted in conjunction with reading this book - and you undertake all ventures, and implement all ideas from this book, at your own risk. The writer and publisher of this book are not engaged in the business of rendering professional advice – and Alex Newman is not professionally qualified to give legal, business, trading, health or any other form of advice. None of the contents of this book are recommendations to buy, sell or trade anything. If you are commencing a business or investment enterprise, or are in doubt over legal / business matters etc, please seek appropriate professional / legal advice.

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Alex Newman, January 2010.

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### INTRODUCTION

"The mass of men lead lives of quiet desperation" -- Henry David Thoreau.

"The ultimate dream of every Entrepreneur is (or at least, should be) to make money while sleeping." -- Alex Newman.

# CONGRATULATIONS WHY WORK? WHAT THIS BOOK IS WHAT THIS BOOK IS NOT

#### **CONGRATULATIONS**

Congratulations! You may just have taken the first step towards an exciting new life, full of hitherto undreamed possibilities. It is my sincere hope that Alex Newman's Complete Guide To Making Money While You Sleep will help you to get your life back from the bank, the landlord, the boss... from the wheel of endless toil. Welcome to the world of the Entrepreneur.

#### WHY WORK?

"Work to live, don't live to work." -- Anon.

It is the secret dream of many people not to have to work.

Some might dismiss or deride these dreams as pure laziness. But in truth, there may be **very good reasons** why you might not want to do things *the normal way*:

- You don't feel valued or feel that your job is meaningless.
- You feel as though you are working your tail off to make someone else rich.
- You don't like "the system" and you want to get out.
- You just want to *get ahead* a little and ease the pressure.
- It's boring you to insanity.
- You feel you are destined or called for better or more important things.
- You have physical limitations which prevent you from seeking regular employment.
- You have something to give to the world, if only you had the opportunity.

Now it's usually considered somewhere between difficult and impossible to find a way round the "reality" of having to go to work five days a week to earn money.

"If only it were possible to make money in my sleep" you might have thought, before laughing the idea off as pure fantasy - or before being mocked by your peers for your dreams.

However, the fascinating truth is that it *is* becoming more and more commonplace that you don't actually have to be stuck to the "daily grind" of 40 years behind an office desk or doing a job that gives no true satisfaction.

Some people are making their money while they sleep – this you can be sure of. But how are they doing it? Can you do it too? What's the secret?

In the past, it was often practically impossible for the average person to improve their conditions of life drastically – and anyone who attempted to do so, was often met with the standard dismissive utterance: *Don't give up your day job.* However, the world has changed considerably within the last couple of generations - and Entrepreneurship is now within reach of a considerably greater percentage of people.

Not only this, but new technology has brought fundamental changes to the way resources are distributed, and given potential for automation of many tasks.

And the internet has levelled the playing field.

These new conditions have created *many possible ways* to make money while you sleep.

In short, there are greater opportunities within reach of everyone than there have ever been at any point in history!

There are smart people from all walks of life who are learning to harness these resources and *create lives* where they enjoy some very real freedom. *It really is do-able.* 

However there are also many others who are trying all manner of tricks and chasing after ill-conceived fantasies, in order to try to make money while they sleep - and getting into all sorts of problems.

There is a huge difference between the two.

The possibility of making money while you sleep is not an illusion. But it's a world apart from *making money for nothing*. This is an incredibly important distinction to make – and we will be examining these ideas in full detail.

#### WHAT THIS BOOK IS

"Give a man a fish, and he will eat for a day. Teach a man to fish and he will eat for life." -- Anon.

**First things first** - This book is a full investigation into the entire subject of making money while you sleep. It explores whether it is possible, what kinds of people are doing it and how, methods by which you might do it, and who is trying – but failing - to do it, and why. It looks at life goals, business methods, asset management, the internet, freedom, the concept of service, the future and much more. The research done to form this book was undertaken over many years of study, experiments and observation.

This book is a "guerrilla business manual". It's packed with information on all aspects of being an Entrepreneur, learned not at business college but through independent research in the real-world "University Of Life" (note – this is not a "real" university!). In addition to practical, useful ideas, there are whole sections devoted to the inner aspects of entrepreneurship – concepts and qualities of character that may be useful or even essential for the Entrepreneur; even information which may redefine your idea of what it means to be an Entrepreneur. This is the stuff they don't teach you at school! It is especially aimed at creative thinkers and those who like to do things their own way.

**This book is an idea source.** Scattered around are countless ideas. In general, this book is not so much concerned with *giving you a fish*, but with *teaching you how to fish*. Take your time to read the whole thing and uncover all kinds of things you would not have discovered otherwise.

This book is both for people aiming at financial independence through passive income, and also for those just seeking to "make a little extra on the side". Of the many people in the world who are making money while they sleep, many of them will not be making enough while sleeping to live on. So although I devote a good part of this book toward looking at lofty goals and possible ways towards complete financial independence, I have also taken into consideration the fact that for a number of people, making money while they sleep will inevitably be a way to lighten the burden but not necessarily to remove it completely.

Passive income of any kind is highly desirable - and over the course of time, income earned this way can sometimes far outreach the income of "work, get paid, work again" type work. This book is, ultimately, about the *long haul* – and about setting up income streams that will continue to pay you far into the future.

This book is intended to give you a new conceptual framework or a new way of looking at things. There are plenty of books out there that will give you "step-by-

step-instructions" on how to follow in someone else's footsteps - but although they might give you some paths to follow, often they don't really *empower* you with real tools to enable you to *become the captain of your own ship.* So this book attempts to do something more: It is intended to inspire new ways of looking at things, to get you thinking like an entrepreneur, and to *go deep*. I believe this is very necessary for the entrepreneur who *is going for freedom* and I will explain why.

This book is an illusion buster. Here I must offer a polite word of warning - some parts of this book are not for the faint hearted. If you want phenomenal success, you are going to have to take a good hard look at yourself - and although you are undoubtedly a good person with the best of intentions, it will be required of you to face your weaknesses and fears, and root out any illusory ideas you might have been handed. In my own case, this took some work. It was a challenge for me to face myself, and I ended up wasting much time... before sure enough, life, being the great teacher that it is, eventually brought me round to my senses. And then when I did face my fears, I found that the things I was so afraid of, were really not so frightening! As a youth I was often filled with illusory ideas by those around me. I think it happens to everyone. I had not yet developed the discernment from life experience to make wise choices for myself and to avoid futile scenarios and unsuitable influences. It is my hope that reading what is written here may spare you from having to learn some things the hard way!

**This book covers many different fields** - and you will find that there is both technical and non-technical information in here. Some sections are quite simple and can be absorbed rapidly by almost everyone, others are a little more complex and may require longer study.

What is a "complete guide", anyway? Although this book is a "complete guide", it is not anticipated that this book be the only book on business matters that you read. There are some highly specialized areas where I have created a summary designed to give you an overview - with links to further reading for those that want to investigate further.

So use this book as an overview, a complement to other material that is out there, a fresh source of ideas and inspiration and as an alternative perspective. In addition to a large number of links to further research, there's a list of recommended reading at the end.

I have poured a distillation of everything I have observed and learned into this book. It is my hope that it will serve you well and assist your path.

#### WHAT THIS BOOK IS NOT

"With my foolproof system, I'll show you exactly how you can make \$10,000 per month

from the comfort of your home, with no effort, starting tomorrow." -- Anon.

Don't worry. This book is not a "pyramid scheme" or a book about making money which just tells you to go and write a book about making money.

This book is not just about the internet. Making money online is a major topic - but it is nowhere near the whole picture. I have devoted an entire large section to the internet - (Part #5) - but in addition to online business, this book also covers many other areas of "real-world" income and investigates their potential. The internet section will delineate some very real possibilities for how you can make profit online - and will also consider possible limitations of these methods, and suggestions for ways to integrate them realistically into an overall career path. Plus it will give ideas which may help you to spot some of the numerous internet scams that are out there.

This book does not contain any affiliate links – and does not come with resale rights. There are many links to products and further information in this book. However, none of the links are affiliate links. The resources I have linked to have been mentioned strictly with the intention of helping you.

This book will not scream at you "It's easy to get rich!" Because, fact is, it's not generally all that easy to set up the conditions required for you to make enough money while you sleep to be completely free! Otherwise everyone would be doing it! But.... the good news is, it is relatively easy to start making money while you sleep. It is definitely possible and quite feasible to reach financial independence - and there are many people out there who have done so quite nicely. The purpose of this book is to show you how you might do so too.

In order to set up the required conditions for money to start coming your way while you sleep, you are going to have to do some hard work first, do some brilliant thinking, and develop some perseverance and some skills. It will be worth it. Struggling for something you really want and then achieving it is immensely fulfilling. Especially if you are then free to spend more of your time as you please, with the resources to fulfill other ambitions!

I am not going to waste your precious time fooling around with false hopes, empty promises or wrong paths. Also, we might note that such talk is akin to saying to someone "I'll give you a Ferrari but I won't teach you how to drive."

So let's go!

**Final introductory note:** This book is divided into six parts. The first three parts are more philosophical and "inner" in nature – and the last three parts are more practical and concerned with actual actions, methods and steps.

There is a lot of book here. However, please do invest the time it takes to read it

properly. We're not just talking about a quick flash-in-the-pan and a few dollars. We're talking about a *path* and an alternate perspective on life that might change your life.

### PART 1

### THE MINDSET OF SUCCESS

**Chapter 1 - Core Concepts** 

**Chapter 2 - The great escape** 

**Chapter 3 - Assessing your current situation** 

**Chapter 4 - Foundations** 

**Chapter 5 - Becoming a master strategist** 

**Chapter 6 - Being ahead of the curve** 

Chapter 7 - Study and learning

Chapter 8 - Leverage, competitive advantage and PR

Chapter 9 - Willpower and inner strength and where they come from

Chapter 10 - Ethical and philosophical considerations of making money while you sleep

### **Chapter 1 - CORE CONCEPTS**

(Note - this Core Concepts chapter of the book is extremely important. Read it at least once and try to embed it in your mind - it is a framework which will help with the rest of the book.)

"Normal is getting dressed in clothes that you buy for work, driving through traffic in a car that you are still paying for, in order to get to a job that you need so you can pay for the clothes, car and the house that you leave empty all day in order to afford to live in it." -- Ellen Goodman

THE WIRING UNDER THE BOARD
INVESTING YOUR INCOME
THE SET-UP
CREATING WEALTH
CHANGE
RETIREMENT VS. FINANCIAL INDEPENDENCE: THE MINDSET OF SUCCESS

#### THE WIRING UNDER THE BOARD

The subject of *making money while you sleep* is in one sense a *re-appraisal* of the entire method of "getting from A (where you are now) to B (financial independence)" in life. It's about getting there as fast and as safely as possible.

The habitual path of "a normal career" is often dictated by a fixed perspective and a set of beliefs about "how money works, and what you must do about it" – and this has usually been handed to us by those who knew no other way; so the common belief is that we are forced to continue down this road due to a lack of realistic options.

There are several realistic options – as you will soon see; but making money while you sleep is different from "ordinary work" and if we are going to improve and to some extent "re-order" our way of dealing with our daily world, we need to look at some of the wiring under the board: Our thoughts, our beliefs... our mind-set.

It's not an "instant fix". This rewiring is an integral part of the *systems overhaul* that we are attempting: Striving for – and maintaining - financial independence requires not just a change in actions and habits, but a *change in perspective* from the *ordinary life* of *working for the man*.

It is not just about having "a positive attitude" to make money flow, or anything vacuous like that. It is about first understanding and adopting principles used by the successful – in particular the principles of what wealth is and how it works; and then taking specific actions which actually generate wealth; rather than just dreaming about it, failing to create it, or wasting time, effort and money.

It is about real actions and real results.

#### INVESTING YOUR INCOME

"My interest is in the future because I'm going to spend the rest of my life there." -- Charles Kettering

"The wealthy don't work for money, money works for them" -- Robert T. Kiyosaki.

"We are what we repeatedly do. Excellence, then, is not an act, but a habit." -- Aristotle.

This concept is very simple to understand – and yet, so very often, it is not put into practice. It proposes that one of the main keys to making money while you sleep, and to increasing this income, is *to invest your earned income*, *as opposed to just spending it.* 

It is very important here to define the word "invest" accurately. For those of you who might immediately be thinking that *to invest* means simply to put the money in a savings account or buy stocks, hold on. The meaning of the word - as far as *this* book is concerned - is *far* broader.

For the purposes of this book - the word *invest* means to spend your money on *assets*; and the word *assets* is fully defined as "things that continue to earn you money or improve your future in real ways".

A full understanding of the words "asset" and "investment", and the large number of possibilities that are encompassed by these terms, is *vital* to the comprehension of this book - and I believe, essential to a future life of making good money while you sleep. There are an *enormous* number of different ways to *invest* income, and an *enormous* number of different forms that assets might take - probably many more than you might have considered.

Even the most well known writers on the subject of assets, often miss out on some of the types of asset, including those which are the foundations of wealth.

For example, skills and knowledge could rightly be considered as assets. They are

things into which you can invest money and time in order to acquire, which can then work for you in several different ways, in order to earn you more money.

Now you might be thinking that these skills will only be able to earn you more money if you continue to work for evermore – however, that's not our goal; and *nowhere near* the whole story! There are many ways to use knowledge and skills in order to start making money while you sleep and keep on getting paid – and we are going to look into them in full.

Skills and knowledge are just two of the **huge** list of *types of asset* you will find in Part Two.

By developing and maintaining the habit of *investing* as opposed to *just spending*, you are able to add to your *assets* which then generate you still more income. You are then able to invest this income in even more assets. Gradually over time, your money begins to work for you more and more, rather than you just working for it: You are making money while you sleep; and when this amount both a) exceeds the amount you need to support yourself, and b) is a stable source of revenue which will in all likelihood continue to sustain you for the rest of your days; you have reached the wonderful holy grail of *Financial Independence*!

It sounds easy in theory, doesn't it? Well, it is and it isn't. If that was all there was to it, I wouldn't have written a 300+ page book on the subject.

It takes time, skill, consistent good choices – and like any habit, this kind of focus takes persistent effort in order to develop. However, the best time to begin the path, wherever you are, is *right now*. And the path, if rightly pursued, can lead to financial independence *much* more swiftly than "working until retirement day." *Long term strategies and defined objectives* are absolutely vital to progress with making money while you sleep.

This simple formula of *investing* and developing an *asset column* or *portfolio* is not new. It is one of the most fundamental strategies of wealth-building, and has been used by the wealthy for centuries. It has in one form or another been mentioned by many of the great writers on the subject of finance and making money: Robert T. Kiyosaki, Tim Sales, Thomas J. Stanley and several others.

It is a great formula – and still holds true. But it is only part of the story; only one of the pieces of the puzzle. You need to be a certain kind of person in order to make assets work successfully for you – and the goal of this book is to give you those tools.

At the very beginning of this path, it is to be anticipated that the amount you make while you sleep may well be small; however even a small amount of money earned while you sleep is tremendously inspiring - and great progress; because it will help you claw back one of your most important assets with which to build your empire: Your

time. This extra time will then free you to set up more projects that will continue to pay you - and in a manner similar to the effect of compound interest, *financial momentum* is gradually gained.

It is so often said that it is practically a proverb, that "The first million is the hardest to make" - and this is fundamentally true.

In order to be making money while you sleep, something has to be working for you. This might be staff, your computers and machines, investments, real estate, intellectual property... your assets.

#### THE SET-UP

The Set-up is a fundamental concept for this book. The Set-up is the period of time at the beginning of an enterprise, where the enterprise will in all likelihood *not* be making money while you sleep - yet. You will probably be working extremely hard - but the good news is that you will (if you are doing things right) be going in the right direction.

The difference between doing *ordinary work* and doing a *set-up* might on the outside seem to be minimal – in both cases you are working. However, on the inside, the difference is enormous. The work done during a set-up is often not work that you will be *paid for* per se. It is work that *specifically enables you to acquire, control or create an asset.* Making money while you sleep generally involves *being or becoming the owner or controller of something* - whether this is residential property, commercial property, intellectual property, rentable items, web sites, skills, etc. These items are all *assets*, and may if well managed (and if profitable conditions prevail) continue to earn you revenue for a long time – possibly even for life.

A core idea for this book is that in order to make money while you sleep, you *are* going to have to do some work while you are awake first! However, not everyone who works, transitions into making money while they sleep! So it is essential for the *right kind of work* to be done in the right way.

It's important to *re-frame* your idea of what you have to do to earn money. The "old paradigm" way or the *working class way* is to "go to work, get paid, spend the money, go to work again". The *Entrepreneurial way* is to work *setting up revenue-generating systems* which can then run themselves in a semi-automated or even fully automated way. The concept of *The Set-Up* is therefore *mission critical* to this book and recurs throughout in many different forms.

The set-up period is often characterized by a burst of intense activity and heroic hard work. However, if it is done right, it should result in something that continues to generate revenue while you go and do something else: notably, setting up another

income-generating system! This is how the wealthy operate – and they have a curious tendency which many have not noticed: *They tend to be more excited about making money than about spending it.* 

Here's the truly fascinating part of this whole deal – and if there's one thing that I want you to embed in your mind... *if there was just one "take-away" that you get from this entire book...* it would be this:

### The best revenue-generating systems are the ones that provide the greatest benefits to others.

Making money while you sleep is not about giving people the "thin end of the deal" or taking advantage of them. It is about finding ways to leverage your assets and create systems that continue to pay you by providing continued benefit to others.

Note that the truly wealthy often have many income streams (both diversified and cross-pollinating). This is often a good strategy both for security and for greater income - because in all likelihood, not everything you set up will make money. A good entrepreneur is aware of such risks: And the good entrepreneur doesn't sit around waiting to find out whether a strategy will be successful - they move on to the next set-up, honing their skills and giving themselves more opportunities to succeed in the process. By doing this for a period of time they stack the deck in their favor.

Persistence yields results - and if you want to make a lot of money in your sleep, you will likely have to be persistent first! Not all of your set-ups will pay off, but over time, as your experience and skill set grow, both your ratio of successes to failures, and your total number of successes, will grow also. And you will develop a greater sense of how to assess the potential of an opportunity.

Some money-making ideas have a quick turnaround – but many have potential that is much longer term - and these are typically the most desirable. These generally involve creating set-ups that are of higher quality, take longer to set up, may take longer to catch on, but stand the test of time. Before *setting up a system*, it is important to assess its **long-term potential** as an income source - and to determine whether the effort will *pay off*. We will look at methods you might use to assess the long-term potential of an investment idea.

There are whole sections of this book devoted to business strategies. This might at first seem paradoxical in a book about making money while you sleep - but when viewed in light of the necessity to *set up systems* and *do the right kind of work* first, these sections of the book can be placed in their proper perspective. Business systems, even if you had to do all the work to get them profitable, can be one of the most powerful keys to automated future income.

#### **CREATING WEALTH**

Another principal theme of this book is that the best way to get rich is to *create wealth* - and this means improving the world in some way. If all you focus on is what *you want*, it will be difficult to sell to people. However, if you focus hard on what *they want*, and on improving their lives in the most real, dramatic ways you possibly can, it will be much easier to make wealth come your way. More on this in Chapter 10.

#### **CHANGE**

One of the recurring themes of this book is that the world has changed – and is continuing to change at rapid pace. Technology has delivered new possibilities and a new financial playing field. Although the old principles of investment still apply, the new entrepreneurship requires a deeper examination of these ideas, a new set of strategies and a new perspective.

I have developed the existing ideas of *assets* and *investing* in order to take these changes into account – and when this is combined with the developing possibilities being brought in by automated processes, the internet and intellectual property, I think you will agree after reading this book that making money while you sleep in the 21<sup>st</sup> century is a *quantum leap* in perspective from what went before!

#### RETIREMENT VS. FINANCIAL INDEPENDENCE: THE MINDSET OF SUCCESS

"Horses retire. Entrepreneurs reach financial independence." -- AN

What is *Retirement*? Something that happens when you are 65? Let's *reframe* the nasty word "retirement" and erase it from our vocabularies! It has "negative connotations", implying that when you *retire*, you somehow become useless, *tired* and generally "out of the game".

Let us instead venture to say that the *real* goal of a career is not to retire but to become *financially independent*. This is the true definition of being *rich*. It means you don't have to work to earn money any more - you have enough *assets* which generate enough sustainable income to last for the rest of your life, and you can now concentrate fully on pursuing your other ambitions and interests - whether these are relaxation, study, travel, arts, your family, or helping others to achieve their dreams.

A full definition of *being rich* means that you are in a position - both in your "inner" and "outer" worlds - with freedom to devote yourself to a higher way of life, the life of your dreams.

It is to be noted that this is not, as many believe, a selfish ambition. Although there are undoubtedly those whose desire for financial independence is solely in order to live lives of vanity or indulgence, these people are actually in the minority. Most people who have real dreams of financial independence have higher purpose which inevitably involves some form of altruism or brilliant vision.

Financial independence is the beginning, not the end.

To me it has always seemed tragic that most people only reach this point of freedom when they are 65. Is that what humanity was meant for? Is that our purpose? I don't think so!

It's my dream to overturn all that. I absolutely don't mean to inspire people to laziness, or to obtaining fast wealth by devious methods. There are many possible ways to wealth which would bring inestimable benefit to others - in fact, I would go so far as to say, like Zig Ziglar, that the *fastest way* to wealth is to manifest the things which provide the *greatest benefit of all* to others. People will be more than happy to pay you handsomely to solve their greatest difficulties and problems. There are plenty of problems which need solving and needs that need addressing, and you can become fabulously - and rightfully - rich by doing so. And do you think you can set up systems which achieve all this while you sleep? I do – and I will show you how.

To say that it is impossible to get rich, and that the "conditions of the economy" have made it unachievable, is to say that there are no problems in the world that need fixing, and that there is no-one who desires anything badly enough to give money for it. Start aligning your efforts with *what others need* and be prepared to *do something different*.

This, to me, is the mindset of great success - and the definition of what it really means to be an Entrepreneur. Imagine a scenario where Entrepreneurs create brilliant, outstanding ideas and inventions that genuinely benefit millions of people. They create systems which are win-win situations. They become wealthy by adding to the wealth of the world. It is thus only right that they should then be rewarded with wealth and freedom. And the ironic thing about this is that usually, these people go on creating brilliance and helping others long past the point where they could relax, if only they had the inclination.

Perhaps the world needs more true Entrepreneurs.

### **Chapter 2 - THE GREAT ESCAPE**

"It is better to have a permanent income than to be fascinating." -- Oscar Wilde

### INTRO CREATING AN ESCAPE MASTERPLAN ENTREPRENEUR'S CAREER TEMPLATE - "THE GOLDEN CASTLE"

#### **INTRO**

Achieving financial independence could rightly be called *the real* "Great Escape" in most people's lives. It is something almost everyone dreams of - yet which for most... takes until retirement day.

Now, of course, if you wish to make just a little money while you sleep - or perhaps even a fair amount - you might isolate one or two of the many techniques delineated in this book; perhaps those of the section on the internet - and apply them.

Some of these techniques can even start generating money fast – but **that is not where the main action is**. The best systems are those which continue to make money on auto-pilot for a long time – and the main purpose of this book is to provide radical ideas for making a *Great Escape* - for getting from A (where you are now) to B (financial independence) by the shortest route possible.

Doing this is no overnight task; it is a full-scale campaign and will require an overview, a strategic masterplan, foundations, focus and action.

#### **CREATING AN ESCAPE MASTERPLAN**

The first stage in any *Great Escape* is planning. The Wartime Prisoners didn't just decide to start digging one day: They made a detailed plan of where they were, where they wanted to get to, and considered how they would get past the many obstacles in their path. Their plan was as detailed and precise as they could possibly make it, *before* soil was broken.

It is the same with shooting for financial independence. You'll need a Great Plan - one that is realistic, flexible, eliminates "single points of failure", is long term, and that keeps you focused on the real objective.

#### ENTREPRENEUR'S CAREER TEMPLATE - "THE GOLDEN CASTLE"

In this chapter I have designed a "Template For An Entrepreneur's Career". You could use this as a blueprint or foundation for your own Great Escape Masterplan.

The template divides the Entrepreneur's career or "Great Work" into five *levels* or *scenes*. These levels are not of specific duration: You remain at Level One (for example) until you have completed it and can then move on to the next level. Of course, real life is more complex - but the purpose of this template is to provide a conceptual way of looking at the task, and at some of the challenges that are met along the way. It's designed to give an overview.

Progress does not necessarily flow in a straight line: In this game it is also possible to lose levels if it all goes wrong. We can also say that in general, the higher the Level you are on, the more fun you are having! Anyway here goes...

**Entrepreneur Level Zero: "The Dungeon".** If you find yourself at this level, you might have major debt, no real job, health issues which prevent you from working, or any number of other difficult circumstances holding you back. Another possibility is that just surviving is keeping you fully occupied, and you might have little or no free time. Or, you may have no job, just a head full of beautiful ideas and no visible way to make them happen.

The way to get from here to Level One is simply to get healthy, get a stable, affordable, secure, place to live, and get a job: Preferably a steady one that covers your basic expenses with a little to spare; is not too stressful; not injurious to your health and doesn't make insane demands on your time or resources. You will need these resources to set your sights on Level Two, so plan ahead.

I know, it sounds paradoxical to be suggesting that you *get a job* in a book about making money while you sleep!! But remember: *What you have to do to get somewhere, and what it is going to be like when you are there, are not the same thing.* In order to make money while you sleep, you have to *set things up* first - and this takes *resources*.

If you find yourself at "Entrepreneur Level Zero", it might not be your *fault* at all - and it is comforting to know that many of the world's wealthiest were once here. However the important attitude is: *Wherever you find yourself, it is your own responsibility and no-one else's, to take control of the situation.* The main lessons of Level Zero are looking after your well-being and taking responsibility for your circumstances. The goal is to take care of yourself and create some *stability* so that you have energy, time and resources for your entrepreneurial efforts.

Note - there is another type of person who may technically reside at Entrepreneur

Level Zero - this person may have some money, often in the form of regular handouts, but they are financially dependent on another for it. An example of this might be someone with a generous, wealthy, doting family member or friend. Handouts do not help with self-discipline - and often there is a catch or hidden requirement. So, such a one, instead of making progress towards financial independence may unknowingly grow slack, thinking that they can bypass the lessons of Levels Zero and One. They may even have enough money not to have to *lift a finger* - for now - but under such circumstances it will often be unlikely that they will develop the force of character and true assets needed to reach real Financial Independence.

**Entrepreneur Level One: "The Wheel".** You have a place to live, a job that pays the bills, health, and some stability. You're "In The Game!" *And under pressure.* 

Level One is in some ways often the most difficult level to break out of, and may in some cases take many years. To *complete* Level One, you must get really focused. First, you will need to learn to be economical and stay healthy, cutting down your expenses and getting control of debt (i.e. stop *losing money while you sleep*).

In your free time, instead of going out drinking or watching TV, you study hard, look after your health, investigate potential business opportunities and other ways to make money, and begin to learn to observe trends and develop strategy. Level One teaches you economy, patience, forbearance, self discipline, asset management, time management, debt management and focus. You must learn to make strong decisions as to how you spend your time; stop spending money on crap; and be judicious in cutting out things from your life which are of no benefit, drain resources, or will harm you.

Many people, especially non-Entrepreneurs, may even remain at Level One until "Retirement Day". It is not a disgrace. Many are more or less content there and it is true that great beauty and inner peace can be found in simplicity. But it is not where the full-on entrepreneurs are headed...

Breaking out of Level One could take many forms - but often requires that you maintain one or more "cash cows" (usually regular jobs or businesses) while developing further profitable systems that will enable you to "get ahead". These further systems are the beginnings of asset building - and can often either be for example better jobs, second jobs, businesses, automated processes, property, "classic investments" or a combination of the above. I believe that it is also a good idea to begin as early as possible to invest in assets such as those listed in Chapter 12 and 13.

Don't quit that day job prematurely! Keep your job, and.... secretly, quietly.... plan your escape. You can work on your own ideas, studies and you second business in your spare time. Use your spare time wisely to develop secure, serious, long term, sustainable and defensible methods of building wealth. Do this properly, and at the

right moment you will be able to walk away from your job confidently and never have to look back. Be aware that this might take years! But ultimately, doing it *properly* will free up much more of your time than if you were to quit your job right away, with an ill-conceived and poorly executed plan. Patience, grasshopper!

Level One starts to get tremendously exciting when you begin to build assets or launch a successful business venture, and start to make enough money while you sleep to free up a little time. If you are not very ambitious however, or easily led astray, at this point you will likely start spending your extra money as fast as you are making it... on new cars, expensive dates, holidays, families, jewelry, wine, status symbols, nice clothes, restaurants, home theaters - "lifestyle". Suffice it to say that it really is too easy to burn through even an enormous sum of money in a short time and have nothing to show for it - and maybe even growing or severe debt!

The "Monster" of Level One therefore is, more than anything else, "Spending" - and the more desperate you are in Level One to "have fun", the less likely you are to be able to get the Golden Key to Level Two. The temptations are *huge* – you'll need some forbearance here, and a Will of Iron. You may be skilled or talented enough to get though this level while you are in your 20's - but as can be seen in the world, this is very rare. Many people "crash and burn" in Level One when they try to leap for Level Two (i.e. giving up their day job) too early.

If however you are ambitious; *goal-oriented rather than relief-oriented*; determined; realistic; and understand concepts such as the ones in this book; you will re-invest your income in more assets before you have a chance to waste it. There may be some ups and downs, but revenue from your assets will free up your time, which you then use to build more assets and "cash cows", and you will push closer and closer towards....

Entrepreneur Level Two: "Fortune Plays". Now this is where the fun really starts. You reach Level Two when you are earning "a stable enough living" from your assets to give you enough freedom to spend several days a week or even all of your time, working on your business projects. You will now be free to devote your time to making your fortune as opposed to just making a living. You will need a fortune in assets in order to make enough of your money while you sleep, for the rest of your life, to be considered financially independent.

If you have reached Level Two, you are free to be able to concentrate fully - and bring all your force to bear on: Developing multiple asset streams (or maybe just a few extremely good ones); serious studies; and planning an "End Game".

Level Two feels *good* – but it too has its pitfalls.

First, entrepreneurial income can often fluctuate wildly - as opposed to job income, which is usually more steady. This is why it is suggested to create several streams of

residual income if possible, some of which is of the highly stable variety.

Another possible pitfall is that some businesses drain enormous amounts of time and energy. The best business structures design the business from the outset as a *system* which can still operate profitably without the full time involvement of the original founder.

A further possible pitfall is that many people have not thought very far ahead. Their dream of independence might simply have been to be earning a wage without having to go do a job. Often this "short-termist" fantasy will have been engendered by others trying to sell them "get rich quick schemes" and the like. But, my friends, earning a living, even while sleeping, is not an "End Game". Simply, because it is not guaranteed to last for the rest of your life! People whose sole objective was to reach Level Two, rarely stay there very long. Remember the dot com boom? Many of the ones who were "partying like it's 1999" are back at the wheel now...

Level Two is the point where Temptation *really* kicks in. You might start to take days off. Weeks off. You might think you're made - and start celebrating. You might just grow a little slack with your investments, get a little less hungry, a little lazy at the edges, or have other demands - such as family - starting to take precedence. Or, if you have not strategized a business that *sets you free instead of enslaving you*, you might get *fried* by the workload you have taken on. Then, suddenly, something happens. A downturn in the economy, a competitive product or a new technology. Obsolescence. And before you know it... boom... you might be back at Level One.

Many people will be content with reaching Level Two - especially those who consider themselves too young to be planning for the rest of their lives. Maybe all you want is a little freedom - and why not? There are many ideas in this book which may help you. However, the real goal of this book is to give you ideas not just to put a little fast cash in your pocket, but hopefully to enable you to set yourself up for life and reach the Golden Castle.

Solid structures and a true "End Game Strategy" are the Golden Keys you need in order to get to Level Three.

**Level Three: "The End Game"**. Just like in chess, the End Game of a career can be the most thrilling time. It is a time where one is able, through having developed great skills, resources and knowledge, to wage *great campaigns* - on a scale which would have been impossible previously. It is a time of fortunes won and fortunes lost - but the Wise Entrepreneur never has all their eggs in one basket. They have learned to "Eliminate single points of failure" as much as possible!

Also, we often hear talk from Level Three types, along the following lines: "You could take away everything I own tomorrow and I could get it all back again". This is because they have invested heavily in the greatest Asset of all: Their own self! Level

Three players have great *non-material assets:* Knowledge, skills, reputation, awareness of trends, contacts, and so on. Due to their personal value, they will always be in demand, and will always be able to create new *set-ups*. Investing in such assets as health, knowledge and skills, is rarely a bad idea - as we shall investigate later.

To get to Level Four you need not only great assets, but the skill to manage them. And believe me, this does take great skill. At this point you might have an estate, more than one business, and an executive or team of executives to manage your affairs and your portfolio.

So finally, in the culmination of an Entrepreneurial career, masterful moves have been made - and glory, success, honour and wealth will have been achieved. It takes Mastery to create and execute an End Game: and we will cover this later in the book.

Level Four: "The Golden Castle". Level Four is the final scene in our game and might be called "The Golden Castle". In one sense, it doesn't really matter what you do in Level Four. Because this is the point where you are "made". You have enough assets to ensure, barring disasters such as serious ill health, insurrection, or Act of God, that you can ostensibly do whatever you wish with your time. As far as this particular game is concerned, you have won. You can now choose comfort, luxury, or anything you wish, without risk of losing your position. And you will be making enough money while you sleep to do whatever you wish while you are awake.

If you have truly reached Level Four, you will remain there.

Getting to Level Four might take a few years, or an entire lifetime - or you might never get there. But this level can be seen as the Ultimate (financial) Objective of any career. The Golden Castle represents Pure Freedom.

It is interesting to note how many people who have reached Level Four through their own efforts, have no interest in displays of wealth and instead seek lives of altruism, creativity and further business endeavours. A classic example is Warren Buffett.

Partly this "further seeking" is because the desire for an ostentatious lifestyle is in one sense, paradoxically, one of the great enemies of wealth - and so those who are truly successful will most often have already mastered their desire for extravagance.

Partly also it is because Level Four Players are hooked on the thrilling excitement, the power, the camaraderie, the feeling of being *part of something*, and the opportunity to help others, that Big Business affords.

One of the ways to spot a future *winner* is that they are more interested in being *at the wheel* than being anywhere else....

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#### Chapter 2 summary, notes and extra tips.

There may be ups and downs, but this "game" should give you an idea of a possible "career trajectory" – and the beginnings of insight into how the mindset of the entrepreneur is fundamentally different from that of the worker. Of course, I have said nothing - so far - about the kinds of things you might be doing in order to develop your income streams. We'll come to that soon.

What are the greatest causes of failure in Making Money While You Sleep and achieving Financial Independence?

- 1) Not generating enough income.
- 2) Inability to limit spending.
- 3) Failure to invest wisely and aggressively.

Design the way you are going to spend the money on assets before you get it!

Allow flexibility!

Why all these levels? I thought this book was supposed to be about making money while you sleep? This looks tedious - Can't I just skip right to the making money while I sleep part?

The point is this: Making money while you sleep is like a pyramid or skyscraper: It requires foundations. If you try to build the top levels without the foundations, the whole thing will collapse. Everyone wants to make money while they sleep - but the fact is this: It requires mastery, and in one sense, although Making Money While You Sleep is a short cut, if you try too recklessly to take short cuts you won't get there at all!

Don't believe me? The dungeon awaits those whose lunge is too desperate....

## Chapter 3 - ASSESSING YOUR CURRENT SITUATION

"And you may ask yourself - Well... how did I get here?" -- Talking Heads "Once In A Lifetime".

# INTRO LISTING YOUR ASSETS INVESTIGATE YOUR BUSINESS: WHAT ARE YOU SELLING? END NOTE / EXTRA TIPS

#### **INTRO**

Now that you have the core concepts and some sort of a map, the next step in plotting a course with the greatest overall chance of success is to assess your *current situation* accurately.

This essentially involves asking yourself questions and getting clarity - about present conditions, your abilities and inclinations.

Ok let's play a game.

This will require a laptop, a pad of paper or maybe a favorite journal. Copy, write or print out the questions below, then go outside - to one of your *favorite places* if possible - to fill in the answers. Good places for this are geographical high points or places with a good view. I find there is something about being high up and having a panoramic vista that inspires clear thinking. Remember the images of the Zen Master sitting on the top of the mountain with a laptop? That's you in this game.

Make an examination of your current status, your skills, your desires, your dreams. What you have, and what you might do with it. The more detailed and full you can make this, the better.

#### LISTING YOUR ASSETS

You almost certainly have many more assets than you think you do. Listing them may help you to see new possibilities. (See Part 2 of this book for a full exploration of this idea and to get more ideas for types of asset you might have without having

considered them as such.)

Here are some questions to get you going.

#### Financial Assets:

What are your existing tangible assets? How much money is each of these earning you? Which of these are *working for you* and which ones are not? How much effort is required to maintain them? What are your existing debts?

How much money can you <u>save every month</u>? How much can you save every day? Can you consolidate your debts? Can you sell anything you are not using or which is not earning you any money? Can you reorganize your assets into a form where they are working harder for you?

#### Skills:

What are you good at / what are your skills? What are you able to do successfully? What can you do better than anyone else? What do you do best? What do you know a lot about? What do you know that you can ace?

See how big you can make this list. There are many skills you might have which you might not consider "special" - such as the ability to drive a car, or some obscure subject or item that you know a great deal about. Write them all down anyway. It helps, not only to feel a sense of pride and achievement, but with the consideration of new possibilities and things you could do.

The next question: What can you *learn* that will increase your ability to get customers, create products, invent things, provide better services, enable you to *be the master* in a certain area?

#### **Aptitudes:**

What types of work do you most enjoy doing? - or if you are *really decadent*, what do you least hate doing...;) What are you *willing* to do? What kinds of work do you find yourself *naturally drawn towards*? What kinds of work do you *find yourself doing* – as opposed to other kinds of work which you have to force yourself to do? What do you find easy? And – importantly – what are you fascinated by, and most interested in learning and discovering? Write down at least five things that you have a real interest in learning about. The more the better.

#### Trends / current times:

What is currently, or will soon be, a profitable trend? Where are things headed? What is in decline? Are there any types of work you are involved in that are *sinking ships*? This is very important: If you want great success it is essential to be working in a field where there is *good money to be made*. It might sound like stating the obvious but I have had first hand experience of working in fields which were *sinking*. You run yourself into the ground trying to turn a profit until you finally realize that *the problem* 

isn't that your work is bad, it's the field itself. Don't beat yourself up: Be sure that the field itself is a lucrative one, then you have every opportunity to succeed, and a real yardstick by which to measure the calibre of your own efforts. More on trends in Chapter 6.

#### Possibilities:

Consider the possibilities actually open to you. Does your location suit your career choices? What are your options? From any position we may find ourselves in – there are always a multitude of possible choices. Consider some other ones you might not have been open to.

It is in some ways like a chess game – with the objective being to try to think several moves ahead in order to determine which of the possible moves open to us will lead to the strongest position down the road. I sometimes like to make a list of the major choices open to me and to contemplate the potential of each one before choosing where to put my focus.

Often, options supposedly "open" to us can be discounted with a little rational thought – because they may be *flawed* in some way which renders them, ultimately, as *non-options*.

On the other hand, there are always other options, other courses of action, which may be splendid paths – if only we can see them. Another good idea here is to allow yourself to think big. What would you do *if...*?

#### Summary:

Review your list of assets and ask yourself: How can I *develop* my existing assets and increase / improve them?

#### INVESTIGATE YOUR BUSINESS: WHAT ARE YOU SELLING?

It sounds like a silly question, doesn't it? Anyone in business ought to be able to answer that one.

Well, that's not quite the answer I am looking for. The answer I want is this: What aspect or aspects of what you are selling, are the qualities which sell you or sell your product / service. What are the things that are of value, that are better than those of your competitors? What are your strengths?

Write these down. Others have called this the "unique selling point" - and it is a very good thing to define. It will help with your focus, and also with your marketing efforts.

If you want to be successful in business, the best way is to have the best product or

service. Because let's face it, people want the best. What are the reasons why they should buy yours? You need to be able to answer the question: Why is my product or service better than that of my competitors? It's not enough that you *know*, you must also be able to demonstrate it in a way that your customer understands. Because, it's all about the customer - and they are looking for a *solution*, not just a product.

So, again: What are you selling? Maybe it is your expertise. Maybe you are really selling you. Maybe it is the convenience your location offers. All these things are selling points - and you need to know your selling points in great detail, so as to be able to maximize them. This can also mean investigating the products of your competitors and being able to demonstrate how your product is superior in as many ways as possible.

#### **END NOTE / EXTRA TIPS:**

Hopefully in the course of this exercise, you will already have gained some new ideas for possible ventures. If not, Part #4 lists several existing methods of making money while you sleep, and there are more exercises and ideas further on. Keep the "Current situation" document you have made, and review it from time to time. We will return to it later. Also it should continue to inspire you further down the road.

Make your second business your passion. Also, find friends who are passionate about making money through second incomes... share ideas.

### **Chapter 4 - FOUNDATIONS**

"The victorious strategist takes the field only after the battle has been won." -- Sun-Tzu

"Basements are imperative to a strong standing building, especially when you plan on building it tall and you do! Some skyscraper basements can go over 100ft underground. Thats over 10 stories! If you want your building to stand tall you will want it to go deep and wide. These are your roots; They will hold you strong." -- "Eli" –

www.bluehatseo.com

# INTRO LEVEL 1: ESSENTIAL LOGISTICS, SAFETY AND SECURITY LEVEL 2: HQ ESSENTIALS / ORGANIZATION LEVEL 3: THE KNOWLEDGE LEVEL 4: THE TEAM

#### **INTRO**

When building any great structure; whether it is a skyscraper or a wonderful future, the first things that go in are the foundations.

If you are planning on reaching for the sky, your foundations must be strong and stable: Foundations for success!

When putting in foundations, it is often good to *overbuild* a little and allow for expansion that might happen over time.

Those are the main principles of this chapter. The rest is details. This chapter lists a large number of such details - from running a proper office through to security ideas. Treat this chapter as an "idea source" designed to get you inspired. Your own foundations and infrastructure will of course be to some extent a matter of personal necessity and style.

And please seek professional consultation on matters such as security, legal affairs and health whenever appropriate!

I have divided the "foundations" into four levels: 1) Essential logistics, safety and security; 2) HQ essentials / organization; 3) The knowledge; 4) The team.

#### LEVEL 1: ESSENTIAL LOGISTICS, SAFETY AND SECURITY

This is the most important stuff of all. Some of it might seem like stating the obvious - but if you are not doing these things, I would venture that you are not fully serious - about yourself, or your success. *Make them priority number one!* 

Note - I am not qualified in health and safety. My list here is just a checklist of some ideas for things to give attention to: it is not to be seen as professional advice, or under any circumstances as a substitute for safety codes etc.

#### **Excellent health**

You're pretty much useless without health. Taking care of your health is an investment that I believe will pay you back with a higher return than anything else you could possibly do. What good is a billion dollars if you are in tons of pain or have debilitated yourself getting rich? Don't skimp on this, take it seriously.

#### Stay on the right side of the law

Are you doing anything that could get you in trouble? If you are, don't do it! It's not worth it. If you are not sure of business law requirements: it pays to find out (USA). For UK readers an excellent site is BizHelp24. Another important link - Guidance Documents from the FTC's Bureau of Consumer Protection: http://www.ftc.gov/bcp/menus/resources/guidance.shtm

There are many legal requirements for running a business – and of course these can vary in different countries. You need to know what these are and to follow them. I cannot give legal advice – you must contact your attorney. However, I can recall the saying of a multimillionaire friend of mine, who said that when it boils down to it, lawyers are cheap. He doesn't hesitate to spend the money it takes to get the legal side of things solid – because if you are a serious businessperson, it could save you thousands if not millions, years down the road.

#### Don't get sued

Use a good lawyer to minimize your risk of getting into *litigation*. What you don't know can hurt you! This is a litigious society. So it's essential to understand the make proper use of things such as disclaimers, copyright law, trade marks and other legal matters that apply to what you are doing. It pays to be sure. You can probably find much of the information you need from the links in this section and from searching online, but a competent business attorney will be able to help and it's worth getting one to look over your materials before going live. And it's far better to get this right in the first place than to find yourself in a position where you wish you had!

#### Physical security

Making sure no-one steals your stuff. Also, pay close attention to fire, and flood safety. I would guess that fire, water and theft are the three most common forms of property damage - but there are experts who can help with this.

#### **Business licensing**

<u>This link</u> leads to business.gov's listings of permits, licenses and registrations you'll need to run a business in the USA. For other countries please check with the relevant government agency / board of commerce in your location.

#### Insurance

Essential protection - this can replace your computers, for example. But can it replace your data?

#### Data security

I always joke that most people don't back up their computer data until one day they suddenly lose a few years' work or records in an afternoon. Then they start backing up their data.

It happens. It happened to me once. Hard drives don't last forever! They are mortal. Sooner or later, they suddenly bite the dust - usually with little or no warning! I now follow the method of a company I did some work for several years ago, who implement a "triple level backup": They performed an on-site backup of the entire day's work at the end of the day. Then, they also had a "remote backup" which was brought into the office once per week, and then taken away to another location. Alternatively, *remote backup* might be able to be performed over the internet – or through networking. A couple of examples of services offering online backup are **Diino** and **Mozy**.

Most people do not have a remote backup. But what would happen if there was a burglary, flood or fire? You can replace a computer. But lost data might be irreplaceable.

Another data protection idea that I don't hear talked about, yet which has been an invaluable strategy for me in the past, is to save *new versions* of files using "save as", instead of just saving over the old version of the file every time. For example, let's say I put the finishing touch on a long document. Yet without realising, I had accidentally selected and deleted a large chunk of it before I hit save.

If I were to then perform full backups of my drive, I would be copying over the good versions of the file with the incomplete one.

This has actually happened to me in the past and it was a nightmare.

By saving several versions of a file, old versions can come in handy for retrieval of sections which may accidentally become corrupted.

#### Branding, brand protection, asset protection

This involves things such as **company name**, web site domain name and related matters. It also covers **trade marks**, **copyrights** and **questions such as incorporation of a business or the formation of a Limited Liability Company**. Corporations and Limited Liability Companies can be invaluable protective strategies for a serious business to consider.

There may be additional issues related to your specific field. For example if you are a musician, this might involve registering your band name with an entity such as <a href="https://www.bandname.com">www.bandname.com</a>.

Issues of brand and asset protection are often complex and it is – of course - recommended to seek professional business advice / legal consultation in these areas.

#### **Identity protection**

Identity theft can be a nightmare. Take a moment to research methods which help prevent identity theft – and learn about *phishing scams* and how to avoid them - it will be time well spent. A web site that has much information on this topic. A web site that has much information on this topic is **Fraud Watch International**. There are also services now such as **Lifelock** which may be able to help protect your identity.

#### Information privacy

This covers passwords, and data security. Someone once said "Passwords are like underwear - change them often". Another thing to bear in mind is that certain passwords are "safer" than others. Passwords such as the name of your road, or any word in the dictionary, are not very safe - and there are methods by which hackers can crack them more easily. A "strong password" is said to consist of a jumbled mixture of numbers, upper case and lower case letters. The trouble with these kinds of passwords is that you might have to write them down in order to remember them: and then you have to hide the document!

There are, however, good ways to conceal such documents. On some computer systems there are ways to store passwords within a "keychain" file which remembers all your passwords and unlocks them with one "master" password. This factor can help encourage you to use "complex" passwords for web sites etc.

A software that enables you to conceal documents (such as those containing passwords) is **Steganos Locknote** (Windows) – a cool free software that enables you to encrypt documents and "hide" them. The hidden notes are then accessible through one master password.

Other things to consider: Does your computer have *firewalls* set up properly?

Also (and this is one that many people have not thought of although it is something of a running joke in the security industry) - you might have strong passwords, the ultimate in firewalls and all sorts of expensive software protecting your systems from *internet hackers* - but if you leave the downstairs window open, it would be easy for a thief to either steal the computer or even install a "keystroke logger" which records every key press of the computer keyboard! And then of course, you must have heard those urban legends of the "maintenance guys" dressed in overalls who breezed right past the security and calmly loaded everything into a dirty white van...

#### LEVEL 2: HQ ESSENTIALS / ORGANIZATION

In order to focus on entrepreneurial efforts, you will need some kind of HQ or "sanctuary" where you can concentrate and develop ideas. Some things to consider:

#### Work space

You are creating your HQ. Mission control. The Nerve Center. So choose a location that affords security, cleanliness, privacy, and preferably minimal distractions such as background noise or interruptions. Your HQ will ideally be some kind of "inner sanctum" where nothing will intrude on your ability to concentrate fully and do your best work.

#### Computer systems

For most modern businesses and individuals, a good computer system is an invaluable asset that will continue to pay you back. Get great equipment and learn to use it properly. I am a particular fan of larger flat screen computer monitors - they enable you to lay out and see work better, even if you are not working in graphics. I created this book using a computer with a 23 inch screen - and it was enormously beneficial to be able to see larger sections of the text at any time.

#### **Essential services**

I highly recommend getting a P.O. Box. It takes longer to go to the post office to retrieve mail - but a P.O. Box can help prevent identity theft and protect your privacy and safety. I also recommend Hi-speed internet - if you are on *dial up* and DSL is

available, I cannot overemphasize the benefits of upgrading. A good phone service with a dedicated number and 24/7 answering service for your business is also recommended. Note that in certain countries a business is required to provide an actual address from where business is being done.

#### **Contact database**

Many people don't have their contacts and personal data very well organized. It's a really good idea to invest the time it takes to sort it out. I highly recommend creating and keeping organized categories such as:

- 1) friends, relatives and family
- 2) existing or past customers / all the people who have ever purchased from you
- 3) potential clients / leads
- 4) advisors / helpful people / experts

It's really good when you need more clients to be able to look through your list of past clients - especially if you can send them all an email at the touch of a button (more on that later). And when your contact list starts to get big, which it will (mine contains several thousand people!), you will thank yourself for having put a system in place earlier on. And please, be sure to back up the numbers on your mobile phone!

#### Filing cabinet

This, obviously, is not so easy to *back up* as a disk drive - so needs to be looked after well. Get one that is lockable, and sturdy - they take a fair amount of abuse over the years. This needn't cost a fortune - there are many good used ones out there and if you are lucky you can score one of these for peanuts! Other things to consider are fire and flood prevention.

One client that I work with regularly is a master of this kind of organization. She prides herself on her ability to find any document within about ten seconds - and I have seen her do it many times. Time invested once and recouped many times over.

#### Storage space

The same goes with storage - it needs to be efficient and safe. How long would it take you to find any given thing that you own?

#### **LEVEL 3: THE KNOWLEDGE**

It pays to have access to the best information. There are certain forms of required knowledge that will be essential to whatever form of work you do. This can be anything - from knowledge of business licenses that may be required; books on disciplines within your field; or a database of bookmarks of essential web pages.

It is a good idea to have these materials "to hand" at all times for easy reference. I recommend creating and keeping a "business library" of all materials that are relevant to your mission. This might also include documents, computer software manuals and install disks, inspiring quotes, books and text files on disk.

#### **LEVEL 4: THE TEAM**

Even if you are a sole proprietor of your own business - you still have a team around you. These are people around you who handle work related to your business - and your team may consist of more individuals than you think.

Thus if you are a musician, your team might consist of record label, booking agent, manager, lawyer, licensing agent, publisher, tour manager, roadies, driver, accountant, web designer, web host, stylist, street promotions team, merchandise seller - you get the picture.

Having the right team is an essential part of success. Depending on the work you do, your team will vary - and so rather than discuss who they might consist of, I will say one thing: It's advisable to have a good lawyer, accountant and health advisor!

It pays to nurture team relationships and treat your team members well.

Some good questions to consider might be:

How do you find the best people / attract the best people to you? How do you keep their services / make sure they stay in a good relationship with you?

# Chapter 5 - BECOMING A MASTER STRATEGIST

"Life for a warrior is an exercise in strategy." -- Don Juan: from "A Separate Reality" by author Carlos Castaneda.

"It is always your next move" -- Napoleon.

STRATEGY: THE SKILL OF THE MASTERS
ASPECTS OF STRATEGY
WE ARE ALL STRATEGISTS
ELEMENTS OF STRATEGY - AND COHERENCE

#### STRATEGY: THE SKILL OF THE MASTERS

In order to make money while you sleep, having good strategy is of paramount importance.

Strategy is an exotic word, the meaning of which most people understand: Yet despite the fact that the word is generally understood, it seems to be rare that you find people who transparently possess the ability to implement real strategy in their lives.

Strategy is not an easy thing to master. As it is rare, it is not commonly taught well - if at all. And we are beset by challenges in life that make strategic action difficult. Strategy is the skill *par excellence* that makes the difference between a *campaign* and a haphazard series of actions.

Strategy can thus be called the *Skill Of The Masters* - and if you have it, the chances are good that you will eventually be numbered among them.

One of the challenges we face in being truly strategic, is due to the fact that although strategy is a single word, it is a *composite* thing. That is to say, it is a single thing comprised of many aspects, many facets, many *moves* or actions. A good strategy will unify and orchestrate, bringing all together to create a force more powerful than the sum of the parts. Strategy often requires many abilities combined into a cohesive strength.

In a chess game, it is strategy that separates the winners from the losers. The winners are the ones who are able read their opponent's strategy, think further ahead, and create the most coherent masterplan.

As a strategist, everything you do should be for a reason, and every move should fit in with your overall plan.

To the outsider, the marvellous, mysterious thing about a strategy is that it is often unknown. Yet to the person who makes the strategy, the thing is planned, organized, and executed precisely. The master strategist appears to move like smoke, making moves which are either invisible or which confound and vex and keep opponents guessing. When they strike, it is with precise, controlled and devastating force. Everything is under control: and they win the game.

#### ASPECTS OF STRATEGY

There are innumerable aspects which a strategy might contain, and a great number of qualities the strategist might exemplify. Here are some of them:

A key attribute of the strategist is *organization*. If you are not organized, you cannot move decisively. You are bogged down in chaos, and little things that stem from your disorganization can cut giant holes in your ship. For example: Lose your keys, and the whole evening can be ruined. However, if there is a place where your keys always live: In the same pocket while on the road, on the same hook in the hall when at home, you will seldom lose your keys: A simple yet effective *strategy*. In general, prior organization leads to fluid performance in the *moment of action*. It's the things you do *before*, that enable you to move like a tiger when the time comes!

A good strategy will also contain *flexibility*. A plan should be able to be modified as conditions change. Often, when making a strategy, you might be dealing with the unknown. If one move doesn't work out - the master strategist is able not only to learn from this but is ready to adapt when necessary, and to chart an alternative route. You must have the mobility to be able to make changes.

A great part of the ability to build strategy comes from **experience**. The more time and focus you have devoted to the art of strategy, the better you are likely to be.

Another strategic attribute is **resource management**. It's one thing to have insight into what's likely to happen next, but you also need some *firepower* if you are going to be able to strike effectively. It's a bit like a commander on a battlefield who has decoded the enemy's tactics and senses what is going to happen next, but has no forces ready to maneuver. Resource management leads to the ability to have forces at your disposal at the critical moment.

Another one: *knowledge of the condition of variables that will affect things*. This can be as simple as a weather report, or as complex as a research campaign. It also includes *knowing what others are doing*. This all comes under the general heading of

"intelligence" and can often be the deciding factor in any victory. One of the great challenges we face is that many of our choices in life are *speculative*. There is often no way we can be sure what is the best path until we have taken it. Research, reconnaissance, study – all these things are critical to strategic choices.

A further strategic attribute is that of **sustained growth**; developing strength and power over the course of time – being able to form a long-term plan and build gradually in the right direction.

But the most important aspect of strategy is **overview**. The master strategist is the one who is able to look at the campaign as a whole, rather than as a sequence of battles. Such a one will maintain a sense of what is important, and be able to prioritize. To win one battle is often a case of strength – but strength can never be infinite, it must be managed! How many are those who have risked too much to win one battle, only to lose the overall campaign? A victory in such a battle is known as a **Pyrrhic Victory** - after King Pyrrhus' famous quote "If we win one more such battle, we will be ruined."

The true strategist *chooses their battles* carefully and knows how to make the most effective use of what they have.

#### WE ARE ALL STRATEGISTS

In one sense, we are all strategists. We need to be. Let's take a really basic example: Going to the store to buy groceries! This action, which seems to us to be utterly simple (because we have completely mastered the strategy required to do it) is actually composed of many different strategic elements - each of which combine to form the overall plan. Driving, finding the keys, having money, knowing what to buy, knowing how many days you need provisions for, having space in the trunk of the car for the shopping. What seems to us now a simple enterprise actually requires many individual aspects, disciplines and *previous successes* in order for it to work.

Strategy is about being effective.

#### **ELEMENTS OF STRATEGY - AND COHERENCE**

All the skills we have described above are useful assets for the strategist. But, how can we roll them all together - unify them, if you will - into the formation of a complete strategy?

The difference between a strategic campaign and a sequence of disorganized actions is *orchestration*. This orchestration is the part they don't teach you. They give you tidbits about how to use this skill or do that task, but most of the time in life, it is left up to you to fit it all together.

The first step... is to appreciate the immense value and power of strategy itself! Once this is grasped, strategy can be consciously implemented.

Next, try to gain all of the following Elements of strategy and include all of them in your next endeavor as part of the masterplan. See what happens.

- 0) A headquarters, retreat or sanctuary from which to plan.
- 1) A clearly defined objective / mission / long term goal. This is absolutely essential.
- 2) Preparation.
- 3) Organization / Orchestration.
- 4) Resource management. This can often include the rationing and distribution of limited resources for maximum effectiveness. It is quite often an illusion to think that "If only I had the resources, I could do xyz." Almost everyone operates under limited resources and making the best of what you have is an important strategic element.
- 5) Time management.
- 6) Good thinking: Ability to calculate, calm logic, lateral thought, objectivity, focus, ability to think "several moves ahead" and assess various possible outcomes.
- 7) Intelligence. Research, testing, knowledge of the state of the game, "knowing the curve" (see Chapter 6), knowing external conditions such as weather, possible opponents, and forces which might affect play.
- 8) Risk Assessment.
- 9) Timing.
- 10) Forces or "firepower" (often "financial muscle") that can be launched at the critical moment.
- 11) Ability to be mobile and flexible to adapt and survive, so-called "brinksmanship".
- 12) Prioritization.

#### **Bonus notes:**

Have the self-discipline to stick to your strategy when this is required; the flexibility to change the strategy when it no longer serves the ultimate goal (or when a better way to serve the ultimate goal is revealed); and the wisdom to know the difference.

Why do many plans fail? Mostly because they are unrealistic. Being realistic is difficult. It is in fact one of the most difficult things for most people to achieve. This is for various reasons. One is that life is complex! There are many unknown factors - and always surprises in store. Be as realistic as you can.

#### Further reading:

I have outlined a few works for further reading on strategy in the Bibliography at the end of the book. I recommend the ancient classics on strategy such as the works of Sun-Tzu and Machiavelli: They have survived the test of time.

# Chapter 6 - BEING AHEAD OF THE CURVE.

"Us, and them - and after all we're only ordinary men." -- Pink Floyd.

WHO REALLY MAKES THE MONEY?
CURVE? WHAT CURVE?
PREDICTING TRENDS
BEING A TREND SETTER
BUT YOU CAN PROFIT REGARDLESS OF THE TREND - IF YOU KNOW HOW SO HOW DOES ONE GET AHEAD OF THE CURVE?
IMPARTIALITY
DOING WHAT YOU LOVE
LETTING GO
WHAT IS FAILURE?
ADAPT AND SURVIVE
NON-ATTACHMENT

#### WHO REALLY MAKES THE MONEY?

It's the one who thinks of the idea first. The one who has the inside knowledge. Or the one who holds the strings. Such a one is *ahead of the curve*, and if they are selling you their method, the chances are good that they have already moved on to something else. You know these cats, or rather, *you are aware of their existence*. They don't just go to the bank; they own the bank. They're operating at a higher level. And they don't want to let you in on it.

Whatever their *thing* is, they either do it better than anyone else, bigger than anyone else, or before anyone else. Or, they already have lots of money and can use the *sheer power of money* to make more money, faster.

If we are going to be numbered among these characters and make serious money while we sleep - rather than flounder in their wake - we're going to have to get *ahead* of the curve.

#### **CURVE? WHAT CURVE?**

"There is nothing more powerful than an idea whose time has come" -- Victor Hugo

"If you see a bandwagon, it's too late." -- Sir James Goldsmith

In the world of making money, and especially in that sovereign nation known as Entrepreneurship, everything has a rise and a fall. Everything has a *curve*.

You need to learn to see this curve: What started it; the current position of the game; where and when it will peak; and how quickly it will fall.

All good ideas create a "bandwagon effect". Most of the time, by the time *the majority* will have heard of a moneymaking idea - through mass media channels for example - everyone and their dog has already jumped onto the bandwagon and the opportunity will likely be hopelessly saturated, with no more good money to be made. However, if you can catch a truly excellent idea before it has reached the masses... well... it could be seen as like *riding the perfect wave*.

A good way to look at these curves: Trend setters, inventors or originators start things off. The *early adopters* pick it up when it's white hot. This is because they are *closest* to the action — for reasons we will investigate. By the time the idea reaches the masses, it's already played out. Profiteers will milk the masses for a while - but the cutting edge are already looking at what's next.

In financial terms, *saturation point* occurs when so many people are doing something that the profits to be had from it become too thin. It becomes too competitive. There is more money to be made elsewhere. It's time to jump off - maybe even past time!

You need good information sources - and the ability to move decisively and quickly.

A great number of the "get rich quick" type offers that abound on the internet etc. are selling to the unwitting victims of the *curve effect*. These offers might initially be tremendously profitable for a few people - but they are only profitable while a small number of people are exploiting them - and usually, by the time the *average consumer* has stumbled across it, there is either little money to be made, at the cost of great difficulty; or the strategy no longer works at all.

Once you understand the curve effect, you are more able to assess whether an idea has merit and profitability. Sir James Goldsmith's quote above rings true time and again.

This is one of the reasons why I chose to write about *principles* in addition to specific techniques. Learning one specific technique after another will very often leave you chasing endlessly after rainbows. Learning *principles* can help you to get ahead of the curve - and to create new techniques of your own.

#### PREDICTING TRENDS

"I skate to where the puck is going to be, not where it has been." -- Wayne Gretsky (famous hockey player)

The wise ones not only have up-to-date information, but they study *forces*. And they have a brilliant ability to observe the movements of people and things, to see quickly hidden connections between things - and to make accurate predictions.

In short, this is the subject of *trends*. I would go so far as to say that the word *trend* is one of the most important words in this book.

Making these predictions is not a matter of psychic power, it is a matter of a) knowing current conditions, b) knowing the past and c) knowing tendencies and principles by which things are governed.

A good example is that of the Astronomer. By observing the position of a star, and by knowing its rules of motion, they are able to tell us where it will be in the future.

So we need to learn how to tap into the source... how to think like someone who has the idea first. Part of this is having the resources. Part of it is studying hard. Part of it is having up to date information. Part of it is original thought. You need to be informed, learned, experienced and able to move.

Such store is placed in the ability to predict trends that many good careers are available in market analysis – and a great many fortunes are made by people who are able to position themselves in the right place, at the right time.

**Some "key words" in being able to predict trends:** Experience, inquisitiveness, lateral thinking, understanding of cause and effect, ability to be realistic, knowledge of historical precedent, willingness to experiment, observation, imagination.

#### **BEING A TREND SETTER**

"When it comes to the future, there are those who make it happen, those who let it happen, and those who wonder what happened." -- John M Richardson Jr.

"The best way to predict the future is to create it." -- Abraham Lincoln.

Often, the real winners are the *trend setters*. They are beyond even the *early adopters*. They are the ones who are able to sense what will happen before it has even happened, and plant the seed. Now these people are a very special breed.

They tend to have a combination of qualities - acute observation, deep wisdom and understanding of forces, specialist or even unique knowledge, innovation, daring, and great resources. With these things they can see where things are, see where they are going to go, create accordingly, and start a giant snowball rolling.

#### BUT YOU CAN PROFIT REGARDLESS OF THE TREND - IF YOU KNOW HOW

Those who have mastered the ability to study trends and movements, can develop the ability to **make money whatever the trend**. This is an absolute fact.

Whether there are people getting in, or getting out, there is money to be made. This is an absolutely critical thing to understand in the world of making money.

People complain that "the economy is bad" and therefore are of the belief that there is no opportunity to make money. Think about it: There are as many people in the world as there ever were. And they all have needs. In tougher times they may realign their spending – but certain industries must inevitably thrive.

The true master of this is like some kind of multi-faceted natural-powered energy collector. Whether it is windy, sunny, stormy, cold or hot, there is movement of energy. And therefore there is energy to be harvested. The same is true with economics. A good, simple example from the world of finance is that of *put or call options* - these are stock trading options that can enable profits whether the market has gone up or down. More on options later in the book.

Another example is that of *liquidation*. There is a lot of money to be made from *things* that other people do not want or cannot sell. The key to this is having the right connections, or in being able to put together connections that other people were not able to form.

An investigation of ways to benefit regardless of current conditions can be immensely valuable. Mastery of this principle is one of the keys to freedom.

#### SO HOW DOES ONE GET AHEAD OF THE CURVE?

First, by keen study, *market research*, acquisition of knowledge of the subject. Second, by accurate observation of the existing *state of play*. Third, by forming a brilliant idea, strategy and plan. Fourth, by recognizing the moment of action and having the *mobility* to do something about it. And fifth, by brilliant execution.

An essential aspect of being ahead of the curve is to be aware of what the "cutting edge" is doing. Every field has industry publications such as web sites, blogs and magazines which feature the latest developments in that area – so if you are

investigating a niche it's important to stay up to date with these. They are also a great source of contact information – a way to tap in, find out who the "players" are and learn what they are doing. Here's just one classic example: The current **debate between Apple and Adobe** over Flash technology and the coming implications of HTML 5. With such debates, invaluable information is often revealed in comments left by experts and industry insiders. Such information could be a game-changer – and serious web developers cannot afford not to know what is going on here. Articles such as the one linked are "ways in" to the inside workings of an industry that moves quickly.

Is there anyone you can think of who is "ahead of the curve"? I have one such friend. By the time I have noticed a *wave*, I can be sure that he is already on his board and riding the crest of it. It's reached the point where if he does something, I immediately consider it worth getting involved in!

One of the best ways to get ahead of the curve is to seek the company of others who have often shown themselves to be *ahead of the game*. Watch them carefully. Study their work. Find out how and where they get their information. In the case of my friend: He is a master networker. He is always meeting with successful and brilliant people.

Who do you know who is ahead of the curve? One option is to **take them out for lunch**! It's seen as a socially acceptable way to "buy" a little of a busy person's time. If the person you are trying to reach is not available for a lunch meeting, ask what their hourly rate would be for consulting. Many who do not consider themselves consultants would be happy to trade time for money in this way – and the good thing about this is that you can control the conversation...

#### **IMPARTIALITY**

One of the biggest problems people have when it comes to following curves, jumping in or jumping out, is the problem of impartiality.

The ones who are *dedicated to profit* are able to look clearly at something and say "What works? What is profitable?"

Others however, might have studied or invested in a path or subject for years - and might be unable or unwilling to let go of it, due to how invested in it they are - either actually or emotionally.

If you are going to make money while you sleep, it's essential to *respect* trends. People often go into business doing *the one thing they know* - regardless of the trend. It is far better to face the trend and *adapt* what you do, than it is to blindly carry on with what you know because its the only thing you know.

It is easier to change yourself to fit the world than it is to change the world to fit yourself.

It's worth noting that as observation of trends becomes more of a habit, the likelihood of *becoming entrenched* decreases.

#### DOING WHAT YOU LOVE

"Hope clouds observation" – Dune, Frank Herbert.

"Do what you love and the money will follow." Yeah, right. I've heard this preached so many times in lofty tones. You can practically see the haloes. And guess what? It's a deeply flawed philosophy.

There are of course, a small number of people who have made fortunes doing exactly what they love. And *dreamers* love to cite such rare examples – before heading merrily down the wrong road.

For example, there is a character known as <u>Dr. Beach</u> – who has become one of the foremost reviewers of beaches in the world. He gets paid to travel to the best beaches and review them. Not bad!

But think about it. At the end of the day - there are a whole lot more people whose favorite thing to do is to go to the beach, than there are fortunes to be made reviewing beaches.

Don't get me wrong. Loving what you do helps you get out of bed. And it helps you to achieve high standards. But trying to *make the thing you love the most be the thing that creates your fortune* is often based on *fantasy* ideas about what will work – and mental laziness.

These ideas *sound nice* and therefore seduce us, but the truth is this: In order to make profit, you must do what is *profitable*.

A *hobby* is something you do because it is enjoyable. A *business* is something you do because it is profitable. Trying to turn a hobby into a business requires that you place considerations of enjoyment second to considerations of profit and the other implications of your venture – such as the other work you will need to do to support your business. It also involves shifting your focus onto the needs of your customers, not just yourself. The more you focus on how you can help your customers, the more successful you will be. It's a weird paradox and to start with feels like doing the opposite of what you should do – but it works, and the win-win is also immensely fulfilling.

Trying to turn what you love into a business is often like trying to fit a square peg into a round hole. It's probably the number one reason why people go into business – and the number one reason they fail. Success requires some sacrifices – and adapting yourself to what will work.

This doesn't mean that you should suffer. It just means that you should take a realistic approach, rather than one *clouded by hope*. And you can also learn to enjoy what you do a whole lot more, learn to make it interesting and fun. As I always say: When forced to do something you do not want to do, turn it into a game.

More on doing what you love in Chapter 26.

#### **LETTING GO**

"As a strategist and business person, a closed avenue should not translate into 'the end of the road'. Simply, a few steps back are necessary, and a new path drawn out." -- P. H., financier and friend, in conversation.

One of the most difficult skills to master in the field of *the curve* is letting go. Often one forms an *emotional attachment* to views one has held for a long time, skills one has mastered, even career paths one has invested a lot of time and energy into. It's not surprising.

But it is advisable to be really honest with yourself: Are you on a dead end street? Is this really going to work?

Don't be attached. If there are fears to be faced or things to be admitted to yourself, the sooner the better. The ones who stay attached to outmoded business ideas will face greater and greater difficulties. Learn to let go of things that no longer serve you.

And if a ship is sinking, the quicker you get off, the better.

#### WHAT IS FAILURE?

"Failure is simply the opportunity to begin again more intelligently." -- Henry Ford.

In order to know when exactly it is best to hold on and when it is best to let go, I believe it is essential to have the *right kind of relationship* with the word "failure."

Most people are terribly afraid of failure. We are taught to believe at school that mistakes are the worst thing in the world. In many cases, people become so afraid of

failure that they don't even try to do something.

This is often the biggest mistake.

The thing is - failure is an essential part of success.

No-one gets it all right first time. No-one. The ones who succeed are the ones who get up, learn something and get back on.

Those who have achieved great success have usually failed many times, but were unafraid to fail, learned from their mistakes, and kept going until they succeeded.

The only *real* failures occur where you fail to learn something, end up in severe debt or in jail, make serious enemies, ruin your health, or harm others.

It's a good idea to *re-frame* your idea of the word failure. Very often, the thing you might have considered as a failure, was actually 90% successful. It was just one failed aspect that might have caused it to fail. It was part of your education.

The definition of an expert is simply someone who made the mistake before you did...

#### ADAPT AND SURVIVE

Lets say you spent a couple of years training in a certain computer language, but you didn't get in *ahead of the curve*, and by the time your skill set is advanced enough, the market has changed. No-one is interested in that language any more. The best thing you can do is to admit to yourself that you need to change it up and let go. Keep moving. Flexibility is the key.

In this example, we might do well to remind ourselves that other computer languages often contain similar elements: Therefore learning a new language will not be as difficult as learning the first. And, armed with our new understanding of the curves of things, we can do a little investigation first; find a language that is likely to be "hot" for a while or is in growing demand.

Just because something doesn't work, or hasn't worked - it does not mean *give up*. Often, all that is required is a *reframe* or an adjustment of a few vital factors. The good news is that very often one's work in a particular field serves as excellent training for other things.

Jumping ships or changing fields is a challenge, and can be very stressful. There may be a sense of having to *start all over again* - but it is usually not really like that. With the skills and abilities one has developed, restarting can be a lot more rapid. And if one examines the lives of a number of millionaires and billionaires, very often

they claim to have lost it all and got it all back again.

#### NON-ATTACHMENT

One of the most successful people I have ever met and spent time with was the manager of a world famous rock band. These people are still household names. He had worked with them throughout their multi-million record selling careers and played a huge part in the orchestration of the band's sensational success. You could pretty much call him "Music Business Royalty" - as he really was at the top of his game. We struck up a friendship and he invited me to stay at his place for several weeks while we worked in the studio and brainstormed music business ideas. It was an exciting and fortunate time - and I observed and listened as carefully as I possibly could to everything he said.

One of the characteristics that struck me the most about his business sense was his ability to *play* with ideas. He did not form *emotional attachments* to them as many people do, he simply held them up in the air, and invited others to participate. It was as if we were attempting to build magnificent castles in the air, castles of thought, of possibilities. If an idea didn't work, he simply let go of it. He seemed to always approach the whole thing with one question in mind: "What will work"?

His ability to be *unattached* was a key factor in his success.

It's a game – so have fun with it!

### **Chapter 7 - STUDY AND LEARNING**

"Try to learn something about everything and everything about something." -- Thomas Henry Huxley

"Poor people brag about the size of their TVs. Rich people brag about the size of their libraries." -- Anon

"You must have mindshare before you can have marketshare" -- Christopher M. Knight, CEO ezinearticles.com

STUDY!
KNOWLEDGE IS KING
OBSERVATION
DISAGREEMENT
ASKING QUESTIONS

#### STUDY!

Recently I watched a series of fantastic informational videos by renowned internet "guru" and entrepreneur Eben Pagan. Pagan's businesses currently earn \$20 million per year. I was amazed by his obvious intelligence - but one other thing really struck me. He clearly studies avidly - as he seems to have an almost encyclopedic knowledge of his field.

One thing I have learned about highly successful people in the course of my study of them, is that it's *no accident* that they are successful.

Eben Pagan makes it his business to know everything he possibly can about his profession: His talks are littered with quotes from all the classic texts on marketing, etc... this is a man who clearly devours all the available information on a subject.\*

\*Note – amusingly, since writing this, it has been shown to be true! Eben recently created a new video where for the first time ever... he shows his audience his library and reveals his belief in the necessity of study! I had not seen this when I wrote the above paragraph. The <u>video</u> is excellent and I recommend it wholeheartedly.

The point is simple: *The exceptionally successful study intensely* - and focus their studies on subjects most relevant to their success. Study is an excellent way to invest in yourself.

Always be learning. Study new things. Become an expert. Devour knowledge on your chosen subject. Keep learning throughout your whole life.

If you don't think knowledge is valuable, why do you think lawyers and professional consultants are so well paid? True expertise is invaluable.

#### KNOWLEDGE IS KING

In addition to deep wisdom, one thing a successful entrepreneur needs is *access to the best information*. A few years ago I was at a *massive* outdoor music festival with over 100,000 people in attendance. It rained. By the bucket load! And of course, like the now legendary Woodstock festival, the thing turned into a vast mud-bath.

One clever entrepreneur had on hand a 40-foot truck full of "wellington boots" - a type of knee-high rubber boot perfect for mud and rain. He apparently sold over 20,000 pairs. In a weekend.

How many situations can you think of where something simple like *access to the best long-range weather forecast* could mean the difference between a fortune won and a fortune lost? You could make a fortune by having wet-weather gear available on the spot where there are huge crowds unprepared for such eventualities.

At this point, you might be thinking "Well OK, that guy didn't quite make his year's wages *in his sleep*, did he?" But he might as well have. And not only that - but with such profit he could invest the money in another venture which would bring him a guaranteed return while he slept! But I digress... the point at this juncture is that *all kinds of forces are constantly in motion* - and the one who is best aware of them, and has created the means to act swiftly and decisively, can be the mastermind of all kinds of cool, profitable situations.

#### Study the greats.

Here is an idea. Seek out the person who you believe to be the best in your chosen field. Study them and their work intensely - and also endeavour to find out who they consider to be the best. I will be very surprised indeed if you don't find that they are also experts in *the work of the greats* of their own field: I have noticed that the two things go hand in hand.

In my own chosen fields I have made a point of seeking out the greatest, studying their work, and the underlying causes of their greatness. It has been of inestimable value.

Become a *perpetual student of the subject of Success*. Seek out and talk to people who are doing well. Use search engines. Libraries. Talk to people about who or what is doing well. If you have a particular field of interest, find out who is doing well

in that field. Observe them. Can you draw conclusions as to their success. Is it their location? Their ability to learn quickly? Their ability to find brilliant staff? Their meticulous reputation for customer service? Their ability to have ideas before others have them? Keep watching.

#### The knowledge is out there.

It's simply amazing how much useful knowledge is *out there*; and it can all be harvested, assimilated and added to the *picture* required to spot current trends and thereby intuit new ones.

Ultimately, it is very often knowledge or expertise that is the master key that enables someone to set up a business or other profitable system that will make them money while they sleep.

One of the most wonderful things to have come around in the world of study is the internet. Now, one can have the resources of the world's libraries at one's fingertips. It was not always this way. Twenty years ago, serious study might have involved much travel, large notebooks and might have been much more laborious all round. Now, with *incredible* research tools available such as **Google Books**, I can find in seconds what might have taken me days before – and much that I would never have found at all!

The internet is a vast treasure trove of knowledge. Use it well. Never before in history has so much knowledge been readily available to all. And it might not always be this way. Make the most of it.

#### Study other subjects too.

"Specialization is for insects" -- Robert Heinlein.

Draw a subject diagram with your chosen subject at the center, and other disciplines which relate to it (such as might be beneficial to acquire some knowledge of) as spokes of the wheel coming off it. Thus, if your main study is music, you might make supplementary studies of acoustics, mathematics, the history of your instrument or musical form, copyright law, lives of great musicians, etc.

You'd be amazed by how many times in history, knowledge of one subject enabled a genius to make a vital discovery in another. A "Renaissance Person" or Polymath is one who is an expert in many subjects; a well-rounded individual. Another name I have coined for such an individual is "The No-Trump Hand" - this alludes to the card game Bridge where a player with equal strengths in all suits may score highly with a no-trumps bid.

A classic example of such a person was Leonardo Da Vinci. We can see clearly from

his work that his great knowledge of other disciplines informed and elevated his art.

#### It's who you know and what you know.

A while ago I was hanging out with a good friend in his apartment by the sea in Brighton, England. And he said something brilliant... something that stopped me in my tracks: It's what you know, not who you know.

Yes you did read that correctly. You might know Steven Spielberg - but if all you know is how to do the dishes he's hardly likely to hire you for a major position in his next motion picture, is he? However, if you know more about film editing than anyone else, it's much more likely that the rest will fall into place and you'll get the introductions you need: What you know will lead to who you know.

Writers on the subject of success advise to surround yourself with brilliant people, successful people, talented people – and I can only agree. As the saying goes "If you want to fly with the eagles, you cannot scratch with the turkeys". By flying with the eagles, some of their brilliance will inevitably rub off on you by osmosis - and greater opportunities are more likely to come your way. But the best way to fly with the eagles is to be brilliant in your own way...

Who are your "peer group" or "reference group"? Be aware that certain individuals may be resentful of those who achieve great success. It is important not to hang out with people who will drag you down. And be acutely aware of how others' opinions can affect you. Another famous saying on this subject is: "Take the advice only of those who are living the kind of life you want to live or doing what you want to do".

#### **OBSERVATION**

"Realizations are personal" -- "Don Juan" (Carlos Castaneda)

#### Training yourself in observation.

I was conditioned and programmed by society to think a certain way. I don't mind admitting it - and I think we are all largely products of our environment. Society unconsciously puts people under pressure to do things that will engender greater respect and acceptance; thus people are encouraged to act as others act, see what they see, think as they think.

Now "Why is this relevant?" you might be asking. Because one quality that innovators and people who are ahead of the curve have, is the ability to think for themselves.

Think for yourself. Form your own opinions and come to your own conclusions. This is an absolutely *key* skill that many do not have. They are either afraid to think fully

for themselves - and *censor* their own opinions, or they have not done their observation and are therefore not fully capable.

A great number of people do not have the confidence to trust their own opinion. Fear of being different; fear of being the only wrong one in a group of right ones; fear of becoming lost through straying from the beaten path; maybe even the fact that no-one really *gave them permission* to think for themselves.... all these things play a part.

You don't get ahead of the curve by following the curve. Look around for yourself. What do *you* think? Do your own investigation.

There are clues everywhere. In addition to being immensely educational, it's also great fun being a keen observer of people, things and times - and the ability to be truly introspective is of immense value both in making money while you sleep and in other fields of life.

#### DISAGREEMENT

"Always choose your words carefully on the way up because you may have to eat them on the way down." -- Anon.

It is practically inevitable that at some point, you will find yourself disagreeing with others. However, with the right approach it is very often possible to *navigate* this in a way that avoids problems.

If you find yourself in disagreement over factual matters, remember, there's usually little point in trying to prove a point. Leave the monkey squabble to the monkeys. Who wants to end up as one of these? Ultimately, *life* is the teacher. No matter how right you *know* you are, my counsel is simply to remain as you are whenever possible, and let life bring other people to awareness.

If you find yourself desperate to prove a point to someone, it is possible that you are holding on too tightly to your opinion and it might be you that have something to learn.

The other advantage to keeping your opinions to yourself is that when something comes along in life that changes them, as it very often will, you don't have to be the one who risked their reputation with a vociferous claim to being correct.

Another thing worth bearing in mind: If you say something to someone in a manner which upsets them; whatever the point is that you were trying to make, no matter how correct, it is less likely to be heard.

#### **ASKING QUESTIONS**

Most peoples opinions are influenced very greatly by the opinions of their peers - those immediately around them. Develop this new habit: Ask someone whom you *respect* for their opinion on something.

Most people love to be asked for opinions... it makes them feel valued and respected. The secret is to "frame" the question well, listen carefully and attentively to their opinion... and then form your own. Give them the spotlight. You are not necessarily required to share *your* opinion - in fact it is a very good practice to learn to withhold one's opinion unless asked for it. Keep it to yourself. Write it down or just keep it in your thoughts.

Out there in the world most people place great store in their own opinions and believe that it is necessary to share them as often as possible in order to impress people. I think it's better to develop the kinds of relationships where you do things well over a consistent period - and your true integrity and strength of character are revealed over the course of time. And to those who do not seem worthy of your confidence, maintain a simple, pleasant demeanour, keep your strong opinions to yourself, and continue to observe them: It maybe that they too have layers of gold underneath. Keeping your opinion to yourself is a good practice. It frees you to *think all the things you really think*, without fear that your thoughts will be judged or cause negative reactions.

So, you might ask an opinion simply by saying something like "May I ask your opinion about something?" You might add with a smile "You know I consider you to be a person whose observations and opinions are worth hearing".

And when they have said their piece, you might say "Thank you so much, I have found what you have said to be very insightful."

After the meeting is over, when you are by yourself and have time to reflect, without your thoughts being distracted or influenced by others, you can examine what they have said. Very often, peoples opinions contain both elements of truth and elements of falsehood. Try to see how all these different coloured threads came to be woven into the garment of their personality. Also, be aware that there's always more to people than you will ever know. Take what you find to be of value, and let the rest go.

# **Chapter 8 – LEVERAGE AND COMPETITIVE ADVANTAGE**

"The Ladder of success is never crowded at the top" -- Napoleon Hill

"The ability to learn faster than your competitors may be the only sustainable competitive advantage." -- <u>Arie De Geus</u>, former coordinator, group planning, Royal Dutch/Shell

"We can invent faster than people can copy" -- Ray Kroc, founder of MacDonalds

### THE PRINCIPLE OF LEVERAGE COMPETITIVE ADVANTAGE SUMMARY

#### THE PRINCIPLE OF LEVERAGE

Let's say you have a rock band that has just started out. You maybe have a fan-base of fifty people who will come to your shows. You're working your butt off, practising, networking, trying to get gigs... picking up a couple of hundred dollars here and there, playing a few free shows.

In town there's a big venue that the successful acts play at when they roll through. They might earn \$5000 for a show. Wouldn't it be great to play there?

So you contact the venue promoter - and get through! The promoter asks a couple of awkward questions such as "Where have you guys played?" and the important one "How many people showed up?"

You tell them... and for a split second there's a silence as if you had dropped a coin into a *bottomless well*. Then they say politely "Send us in your promo pack and we'll be in touch."

"Ok sure, thanks for your time". "No problem, bye." Click.

That's the last you hear from them.

Now in this situation, it appears that the venue has all the power: They have all the *leverage*. You have none.

Imagine however, that you have a band on the rise - rapidly gaining in popularity, seen as a "hot ticket", and regularly drawing crowds of 500-1000. The venue will practically fall over backwards to book you. They will return *all* your calls!

#### Why?

Because from their point of view, they are looking to pack the most people in their venue that they possibly can. **They need to do this in order to survive.** Therefore their *primary mission objective* is to find the acts that have the biggest *crowd draw*.

It is often believed by people starting out in business that *other people have all the leverage*. While this may in some sense be true, there are *always* ways to become the one with the leverage. Think about this. In the case of our band / venue example, the venue is in one sense absolutely bound. They have *no choice* but to book acts that fulfill their mission criteria.

All you have to do is fulfill those criteria and then you will have all the leverage! They might never want to listen to your CD, but would still love to book you.

This principle of leverage is true throughout the world. Find out what the conditions of leverage are, and then obtain them.

#### Don't fake it.

People try all sorts of *tricks* in misguided attempts to get leverage - but in many cases I believe this to be a big mistake. Why? Because they are *spending* their time trying to "look like the best" rather than *investing* their time in "actually being the best". You may make a few quick gains by pretending to be the best, but it is not a solid foundation.

The *best form of leverage*, ultimately, is always the quality of your product or service. *Making yourself useful or indispensable* is the key. You are not tricking people out of their money. You are making yourself so valuable that people need you.

#### **COMPETITIVE ADVANTAGE**

Business is a wide open field. There is *always* opportunity. However, there really is one simple requirement for success: You have to have a competitive advantage.

What is a competitive advantage?

Simply, it is about doing something better than your competitors. This usually means quality, price, service or location - or ideally, a combination of these.

Concentrate first on that, and the rest is a matter of time.

Of course, the most profitable fields will usually be the most competitive - and require the greatest efforts to achieve prominence.

#### SUMMARY

So, if you find yourself not getting the *traction* you are looking for – and want to increase your leverage I would advise:

**First,** invest in your skills, your abilities and your work in order to be the best. Develop an *actual* advantage based on outstanding quality, rather than attempting to gain an advantage through trickery. This will always serve you far better in the long run – and the long run is where we are all headed baby!

This factor is very often overlooked. Of course, we all have a desire to reach great success as fast as possible. Yet the greatest successes take a little longer to  $set\ up$  – because it is required that the foundations be that much more solid. However, in very many cases, when these foundations are rock-solid, they provide the greatest possible chance of a situation which continues to  $pay\ you\ back$  for a long time. There are very many examples of this – for example the finest literature and music will still sell, hundreds of years later.

**Second,** once you have a real competitive advantage in the form of great content, skills, or strength of some other kind; use unconventional, attention-grabbing PR / advertising to catch attention.

It may sound like a statement of the obvious – but there are a large number of ventures which overlook this most simple of formulae.

You will need both of these things - competitive advantage and *exposure*. Only having one is not usually enough.

Having said this, great content does very often pick up popularity – eventually – through the *viral effect*: Word of mouth. Make sure you provide yourself with a way to capitalize on this in the future. More on this later.

Please also see the section on cumulative advantage in Chapter 17.

# Chapter 9 - WILLPOWER AND INNER STRENGTH - AND WHERE THEY COME FROM

"Nothing in the world can take the place of persistence. Talent will not: Nothing is more common than unsuccessful men with talent. Genius will not: Unrewarded genius is almost a proverb. Education will not: The world is full of educated derelicts. Persistence and determination alone are omnipotent." -- Calvin Coolidge.

# WILLPOWER DREAMS PASSION THE SPUR OF A COMMITMENT TEMPTATION DEVELOPING WILLPOWER AND PEAK PERFORMANCE

#### **WILLPOWER**

It sounds paradoxical - but if you are going to make money while you sleep you are going to need willpower. Why? Because you will need to *break away* from where you are at, and achieve what I call *escape velocity* – and this means doing something brilliant first!

The term *escape velocity* was originally coined with reference to rockets blasting into orbit - they needed enough power to escape the earth's gravitational pull. In a similar manner, getting a new business off the ground, setting up automated profit generating systems or *getting ahead* financially requires really strong focus and dedication.

#### Where does willpower come from?

What motivates you? If something doesn't inspire you, it is very difficult to make yourself do it. Every step becomes heavier, everything requires more effort. Yet if you know that you *have* to do something in order to get to better things, you will find the *willpower* to do what is necessary.

Ultimately, willpower comes from dreams. They are the "light at the end of the tunnel", the thing that keeps you going. I once read a great saying, something along these lines: "There are no lazy people, only people who are not motivated enough by the goals they have set themselves." *And where do goals come from? Dreams!* 

Therefore the first step in gaining willpower, amazingly, is to *dream a great dream* - one that truly inspires and motivates you. From this place will come the desire to achieve, and the energy to overcome obstacles.

One of the blocks that many people experience, is that they set limits on their dreams. They say "I'll never achieve that." and then fall into apathy, or a kind of subtle despondency which is carried around as a heaviness and lack of enthusiasm.

Another thing that limits *clear dreaming* is to fall into the trap of *wanting what other people want*. This can lead to confused motives. You do not have to want what other people want. Be free to dream your own dream and to imagine the future that you, personally, really want.

I have designed a little *flow chart* which follows the "hierarchy of motivation":



"If you can dream - and not make dreams your master" -- Rudyard Kipling

It is often difficult to *dream clearly* - because of the conditions society places on us, attempting to dictate our desires.

We are supposed to want this, or that... and often in order to be socially accepted we must appear to have the right set of desires and be *made of the right stuff*.

In many cases, people's *real dreams* are pushed out of them in one way or another.

Also, desire is often *manufactured* in us by companies trying to persuade us to buy things. We are presented with powerfully seductive imagery which works on our emotions, constantly telling us that we really want or need certain things in order to be happy, appreciated, loved.

So, in short, it is very important to either stay in touch or to get back in touch with our *real dreams*.

#### **PASSION**

Get passionate about success, about making money, about learning and discovering new ideas. Make profit your hobby. Develop an inquisitive curiosity about all forms of success. Dedicate yourself to your pursuit. Instead of your hobby being something that fritters money, make it something that makes money: And then take that money and invest it in more assets.

#### THE SPUR OF A COMMITMENT

The concept here is that if you *have* to come up with a certain amount of money every month, you will come up with it. The commitment you have made will force you to be creative, to work harder and to be more economical. So, a very simple way to do this is to allocate a certain amount of money every month to asset investment. You could do this via standing order - so that the money is automatically debited (i.e. to your savings account) and therefore the money will need to be made! It should be enough to push you and make you sweat just a bit - but obviously not so much that you are hurting yourself.

Another form of commitment might be a commitment to finishing a certain project, and not letting up until you have done so.

A commitment is a tremendously valuable tool to make something happen and get results. Rather than just telling yourself that you will do something, it gets much better results to put yourself in a position where you *have* to do it.

### **TEMPTATION**

Another thing you will need to learn is to resist temptation. The mind is a trickster, and always loves to take the easy option if at all possible. It will tempt you by creating any excuse not to get down to your work and the things you should really be doing... and unless you are hyper-vigilant, you will find yourself drifting into easier, less demanding tasks - or even taking the day off!

The best way to resist temptation is to be very goal oriented, and to work on the most important task that you should be doing at any one time.

Other writers on this topic have mentioned using a technique called the "success six", where you write the six most important things to do on a piece of paper... but I am not necessarily in favor of this. It does get some results, but you may or may not have six tasks of primary importance that need doing!!

I simply make a list of all the important tasks that need doing, and concentrate on doing the most important one of all at any given time. Tasks naturally order themselves and press for your attention. It is very important to be focused on the tasks that will actually get results and to prioritize these.

As to which tasks are the most important - this can sometimes be a challenge to figure out. The main point here is that certain actions lead to real results, and other actions do not lead to much of importance. Resist the temptation to work on whatever seems easy or pleasant, and work on the things which will bring the greatest benefit. Such work will not necessarily be nice, or comforting – but will be the work which gets the results.

### DEVELOPING WILLPOWER AND PEAK PERFORMANCE

Willpower is not just something you are either born with or not... it is something that can be trained. In my view, training of the willpower requires an understanding of what I call "management of your level of discomfort." If you are learning a new skill of any kind, you are faced with the task of doing something that is difficult, and therefore uncomfortable in some way. Your mind will "react" against this discomfort and try to find ways around having to do the work. You have to be determined and have willpower in order to persist. Yet you must also "balance" the discomfort - you don't want to injure yourself or make yourself sick through pushing too hard or "overtraining" - so it important to manage the level of discomfort and push yourself consistently and sufficiently to achieve success, but not so hard as to cause yourself harm.

Just how much discomfort is "the right amount" is something that doesn't seem to be taught commonly; but I believe mastery in this area might be one of the things that separates the most successful from the pack. I would imagine that if you had specialist sports training, this would be one of the tasks of the trainer, in order to maximize performance while preventing injury. "Calm, determined, consistent focus" is probably a good mindset to approach it with. I think that many people develop their own *inner systems* quite subconsciously in these areas – and they may not be fully aware of ways in which they could maximize performance.

Peak performance in any field is not a line which goes up into infinity - it is a curve. On the one side of this curve is laziness, poor focus, inattentiveness and lack of determination. On the other side is desperation, over-training, grasping for success and calamity.

You can see the need for a structured approach to success. I believe that good methods and structure will develop performance in a way which is less likely to lead to desperate moves.

# Chapter #10 - ETHICAL AND PHILOSOPHICAL CONSIDERATIONS OF MAKING MONEY WHILE YOU SLEEP

"The Lord above gave man an arm of iron, so he could do his job and never shirk. The Lord Above gave man an arm of iron but with a little bit of luck, with a little bit of luck someone else'll do the bleedin' work." -- from the musical "My Fair Lady" by Alan Jay Lerner and Frederick Loewe

"It is literally true that you can succeed best and quickest by helping others to succeed." -- Napoleon.

"Work is done, then forgotten." -- Lao-Tzu, "Tao Te Ching"

"Service to others is the rent we pay for our room here on earth." -- Muhammad Ali

#### INTRO

OUR INSTINCT TO IMPROVE OUR LIVES DO WE HAVE A "DEBT TO SOCIETY"? WORK WHICH LASTS FOREVER

LAZINESS: OUR WORST ENEMY AND OUR BEST FRIEND – AND THE SHORT CUT PARADOX

SPECULATION – GOOD OR BAD?

MONEY FOR NOTHING

FAIRNESS

THE PARADOX OF THE GOOD LIFE

BEWARE THE HATERS

CHEATING

THE ANSWER

### **INTRO**

This is a very interesting topic - and even if you are just seeking to start earning money in your sleep right away, I recommend reading this chapter - because not only

does it shed new light on an age-old dilemma, but it may help you to get richer!

### **OUR INSTINCT TO IMPROVE OUR LIVES**

Humans have always sought to make survival easier for themselves, and to grow more prosperous. Ever since the first clothing was made from animal skins, the first simple homes were made from mud, wood, straw or stone, and the first machines were invented for tilling soil, we have sought ways to do work which *invested in our future*.

However, in recent times, there has been some confusion and something of a trend away from building for the future. People seem to be spending their lives in *ephemeral pursuits:* Spending until they are 65 chasing around after pieces of paper; doing work which does not seem always to have either their own long term future or the greatest benefit of humanity at heart, but which often seems ruled and governed by the unavoidable chasing of money.

Has it struck anyone as curious that to buy the average house, a person might easily spend half the money they earn over the course of 30 years on mortgage payments - yet if you were to build your own house it might cost you a year's work, two years' wages in materials and a year's wages for the plot of land?

And yet this is now accepted as the "normal" way to live.

There is a sense of "unreal work" or "unimportant work" in many people's lives. I believe that such work ultimately devalues us and erodes our sense of purpose. It is this tendency that I am against.

I believe we do have a choice - if only we have the information and the *key to the door*. Really, its about building for the future – and the mind-set that creates ideas that will still make money in years to come is the mind-set that creates ideas that will be of long-term benefit to all.

### DO WE HAVE A "DEBT TO SOCIETY"?

There are two possible ways to make money. You can either try to take it off people in a way which does not benefit them at all - or you can offer them something of value. As the saying goes, there are only two possible kinds of relationship out there -

parasitic or reciprocal.

An unfortunate trend which has become popular is that of trying to make money without necessarily contributing anything of actual value to the world. I believe that in most cases this is not undertaken out of malice, but because people believe that this is what is necessary in order to survive and "get ahead", and they see "everybody else doing it".

Ultimately, we all have something of a responsibility to society and to the Earth we live on. And this responsibility is to give something back for what we take. Yet the vast majority of people are far too tied up with the business of simple survival to actually have the resources to even consider serious altruism. They are caught up in a lifelong struggle to get ahead and to look after their family.

The ironic thing about getting rich is that it does not have to conflict with repaying our debt to society. The easiest way to get rich, truly, is to create the things which add the most benefit to others' lives.

One brilliant idea can revolutionize the lives of others and then you can claim your just reward. There are plenty of problems out there that need solving. The person who invents solar-powered robots that can clean up the environment and handle all our recycling will be the next Bill Gates. *A multi-billion dollar idea?* 

Viewed in this light, there are no problems, only opportunities. The worlds greatest problems, the most annoying obstacles we face, also happen to be the worlds greatest opportunities: *The opportunities are limitless!* 

So the key to making money while you sleep can really be broken down into two steps: 1) Excel at something which is useful to others 2) Find a way to present your excellence to the world in the form of a product or system which can be replicated, be set up and run on auto-pilot, and / or which sells itself.

As the saying goes, "We have the technology".

### **WORK WHICH LASTS FOREVER**

"A society grows great when old men plant trees whose shade they know they shall never sit in." -- old Greek proverb

The ancient Japanese built Pagodas which lasted a thousand years. After an earthquake in Japan in the 20th century, people were absolutely astonished to find that although many other more modern buildings had been destroyed, the wooden Pagodas still stood. It turned out that the designers of the Pagodas had engineered flexibility into their buildings through complex interlocking wooden joints — hitherto

mysterious - which prevented them from toppling.

In our era, we no longer seem to think of building for the long term future. Most people are only concerned with building for money, or for their own lifetimes - and the idea of what I will call *pure work*; work which aims towards *idealistic standards of quality and perfection*, rather than *doing whatever makes a buck*, seems to have been to some degree lost; forced out in the race for survival, "growth", decreased overheads.... *short-term-ism*.

As the saying goes, we have to some extent become a world that "knows the price of everything and the value of nothing".

Are the Japanese ancients to be considered lazy because they attempted to take the path of least resistance? Because they sought to do work which would free them – and perhaps their descendants - from having to do the same work again in the future? Of course not! This is, I believe, what Lao-Tzu meant when he said "Work is done, then forgotten. Therefore it lasts forever."

True Work is work which enriches you, enriches others, adds to the wealth of the world and ultimately frees you - all at the same time. To endeavor to do such work is to pursue a path of self improvement within the context of benefit to all. And the ironic thing about this true work is that work itself was never the goal: It is an efficient means to an efficient end. True work often continues to pay back — perhaps even for centuries — whereas work which just chases the dollar and ignores pure quality tends to lead to the necessity for more work.

True work is also far more rewarding.

Most people think that *making money while you sleep* and *service to others* are at the opposite ends of the spectrum. I hope you can see now that this is not the case.

I sometimes imagine that if everyone had worked from this philosophy over the last thousand years, there wouldn't be anything like as much work that needed doing right now! We would all be making money while we sleep.

I hope that the Complete Guide To Making Money While You Sleep inspires you to find ways to do work which lasts forever, to become wealthy by adding to the wealth of the world, and to free yourself "properly".

There are of course many *true professionals* out there whose work is based on providing continued services. However, there is of course nothing to stop them taking the money they earn through their services, and applying the techniques of this book to create assets which then continue to work for them. A very simple example would be to create tutorial products which can then be set up to sell online.

Pretty much everyone has to earn money while they develop their asset streams to the point where they no longer have to do a job.

This book is not about laziness. It is about finding the shortest route from A to B. And the shortest route from A to B is actually to invest in yourself and start doing *true* work – but doing it in a way that creates resources and assets which continue to pay you.

# LAZINESS: OUR WORST ENEMY AND OUR BEST FRIEND - AND THE SHORT CUT PARADOX

Everyone wants to take the short cut, really. It's human nature. However, this natural tendency can either be a friend or an enemy. "Laziness" can be the thing that inspires us to seek the brilliant short cut — or the thing that leads us to a spectacular blunder. It can be the thing that inspires us to seek the brilliant solution - or the thing that demotivates us or causes us to take the wrong turn.

It derives from our natural instinct to make things easier and better for ourselves - and so does have real rationale at the end of the day. But if you are going to attempt to take short cuts, you need to do them well, with a clear head - otherwise you can end up wasting a life being haphazard, getting into greater problems, or causing harm.

If you try too hard to avoid difficulties and you can create another whole set. Sometimes if you knuckle down and *do things properly*, you will go a lot further.

And so, people sometimes get very confused about whether laziness is good or bad.

The desire to make things as good as possible for ourselves is most definitely a good and natural thing; however, the quickest way from A to B would seem to be a path of balance.

You need to get it just right – if you don't pursue freedom you might never attain it, yet if you grasp too desperately for it, too carelessly or too soon, it can slip from your fingers.

It is good to be driven by dreams of freedom – however, too much desperation marks the point at which a leap becomes a lunge. A leap for freedom needs to be calculated and undertaken with a grip on reality.

#### SPECULATION - GOOD OR BAD?

It is interesting to note the *great ethical divide* on the subject of speculation. Some

believe that speculation is a perfectly natural, reasonable way to make money – and that it stimulates the economy. However, others frown upon it - ostensibly because they believe it an attempt to make money without *creating* anything. In other words, if you buy a house and "flip" it, you may make some cash, but in reality you might not have added anything to the *wealth of the world*. You have made some dollars, but you have not *created* any actual wealth.

Other areas of speculation are sometimes frowned upon - such as foreign currency exchange. Opponents may hold the view that currency speculators do not contribute to economic growth, and are essentially making money without providing anything of value.

### MONEY FOR NOTHING

Some may confuse the idea of making money while you sleep with the idea of making money for nothing. There is a big difference.

This book strongly opposes the idea that you get rich by *taking from others*. Its central tenet is that it is perfectly reasonable to set up systems which make you money while you go and do other things. But such systems succeed best by providing excellent value in goods and services to others; by being win-win situations.

It is highly advantageous to automate the tedious necessities of life wherever possible; and one of these necessities is the creation of wealth. Looking towards the future; the sooner that these things can be done on a mass scale and dispensed with, the better. And, assuming we don't eradicate ourselves with our own stupidity, it will ultimately happen.

The work ethic of previous times may have been a workable philosophy for hundreds of years, but since the industrial revolution, it has been crumbling away. And now, with the advent of robotics, computers and other automated systems, I believe it will soon be the case that the work ethic will collapse entirely. Looking at the curve, and where things are headed - more and more of the tedious work will be do-able by machines.

What happens at the point when machines can do the work faster, cheaper and more precisely than the laborer? The laborer is out of work. We do not like to imagine that this trend will overturn the stability of the world, because we depend to some extent on that stability for our cosy sense of well-being. But it has been happening gradually for the past 200 years – and we are headed towards *major change*. This needn't be a bad thing. As it happens, it is quite possible that the laborer will be freed by the abundance of real wealth in the world - rather than doomed to poverty by a lack of work.

There is a great misconception in the world about what wealth is, and about how it is

created. Imagine for a moment that we had robotic systems which were able to do many if not all of the laborious tasks that are currently done by human laborers - such as food production, manufacture, systems maintenance and ecological management. Such systems would free us from the necessity of work - and would add to the wealth of the world. Where is the harm in this?

Those who think that such systems would cause a mess have not realized that automation will eventually enable such systems to "clear up after themselves".

In the future, I am quite convinced that there will be even more of a trend towards "Those that make the most money are those that are able to design and set up the best systems that work for them", rather than "Those that make the most money are the ones who can work the hardest."

Our psyches are still bucking and screaming from centuries of *work ethic programming*. Many people still hold fast to the *work ethic* as one of the central measurements of *individual human value*. It is all changing. The work ethic was a *social ideal* born out of necessity. In the old days the only ways to achieve wealth were either to work, or to take wealth from someone else. The latter being ethically wrong, the former was considered ethically good, noble, honest, responsible. However, times have changed. I am a firm believer in the fact that modern systems will improve the daily conditions of life beyond all recognition. They already have; and that the sooner we embrace these things, the better it will be for all.

I do not believe in apathy - but then neither do I believe in the drudgery of a slave-like existence. Brain, ultimately, triumphs over brawn - and I believe this trend will only become stronger as we move into an era dominated ever more by robotics, communications and computers.

Our goal is not to keep on working indefinitely. Our goal is to get the work done, so that we can then do something more interesting, with complete freedom.

A final note on technology – technology is immensely powerful. Like anything powerful, it can be used to create great benefit, or great harm. It's essential that we harness it and use it positively.

### **FAIRNESS**

"Freedom is a sweet word, I heard it and my spirit leapt... But Freedom without justice is a freedom for the few, who have bought the right to tell us that their freedom lie is true." -- Fat and Frantic.

There will be those who say "How can it be fair for you to make money in your sleep while others toil?"

There will have been those who immediately reacted against the controversial title of this book. Some people will resent the idea that other people are making money while they sleep - and might hold the view that in a *fair and balanced society*, people seeking to make money while they sleep are greedy or lazy.

As already mentioned, there is a common misperception in the world - namely that there is a limited amount of everything - and in order to get something, you have to take it from someone else. Thus begin so many wars, trouble and strife. But there is another way - and it is the key to creating a successful business. This way is to *make money by adding to the wealth of the world*. It is not only the finest way to make money – but also the most profitable in the long term.

You don't have to be a parasite. In fact, the opposite is true. This is very important. If you forget about yourself for a moment and concentrate fully on providing something of value to others, you will make yourself extremely valuable in their eyes – and wealth will flow towards you.

There is a difference between money that is "earned well" and money that is "earned badly". If you can earn money in a way which benefits others, and yet have streamlined your *money-machine* to run at maximum efficiency, making money while you sleep due to a system that you have set up - of what harm is this to anyone?

To take a basic example, if you create some enjoyable music, and put it up on iTunes where it sits there making me a dollar per download while you sleep, where is the unethical behaviour in this? It is an *automated revenue strategy*, nothing more – and its success to a great extent depends on the *quality* of what you are creating and its *value* to others.

If I put my work into a form of *library or system* – which can then be licensed to others – I can continue to make money from what I have created. It's a win-win.

This book is intended to help the entrepreneur get their life back. It is to be understood that for the person who has a lot to give to the world, having their life back so that they can pursue their creative interests, is probably the best thing that can happen to them – and also to those who will benefit from their future creations and investments. The ideal of making money while you sleep is not just so that you can spend the rest of your life doing nothing! The fact is, that if this is the kind of person you are, you will probably not be able to make much money while you sleep anyway - because making money while you sleep requires an initial commitment, long term vision and focused effort.

Making money while you sleep is not about swindling people. It is about working smarter, and understanding the power of investment and education. It is about creating wealth, as opposed to just creating money.

Additionally, some people are not able to do certain kinds of work. A person may have health challenges which prohibit them from doing certain work - and ideas for ways to earn money from their computer could be a godsend.

### THE PARADOX OF THE GOOD LIFE

"Creation of wealth is almost a duty because of the widespread benefits that flow from it." -- John Gunn

Here's an interesting thought: Many people assume that people who live "the good life" are contributing nothing to society, and wasting resources. However, have you ever considered that leisure industries create jobs and wealth for millions of people. If everyone decided to stay at home, none of those jobs would exist and there would be greater poverty for those people.

This is one of the curious paradoxes of wealth that many people completely misunderstand. People think that one person's wealth only contributes to another person's poverty. It is not so. Where there is wealth, there are opportunities. Wealth enables structure, orchestration, growth and endeavour. It is no use becoming resentful because others seem to have all the money. You have every opportunity to rise to the top - but in order to do so, you must *invest in yourself*. When you do this, wealth will begin to gravitate towards you – gradually at first, but building in momentum.

### **BEWARE THE HATERS**

"The price of big success is having some people not like you." -- Eben Pagan.

Some people will resent you immediately they find out you are making your money with less effort than they are. Often too, these people will have built up a substantial psychological "work ethic" defending work as a noble end in itself.

Many times people cannot see past their own jealousy - and they build up all kinds of structures of resentment against money.

The main points to observe here are that resentment is wasted energy, and to be careful of those who will try to drag you down.

#### **CHEATING**

Cheating people does not pay. Ultimately, the best way forward is to make yourself

and your creations valuable to others. There are a lot of people who are *grasping for* wealth out there - and although it might seem like it is required of you to join the stampede, it is not. We all have unique abilities, talents - and insight that is ours alone.

But the main point is to realize that this is not so much a point of morals as it is a point of strategy. I am not so much interested in abstract concepts of what constitutes a "good" person as I am in what constitutes an "effective" person. It is immensely difficult and troublesome to try to earn money by focusing only on "getting people's money." As a point of pure strategy, it is generally far easier to earn money by figuring out what people's greatest problems are and by helping to solve them! People will gladly hand their money over if your service really is the best.

The more *value* your products add to the lives of your customers, the more you will sell.

Using modern technology, it is perfectly possible, feasible, reasonable and *ethically* sound to create methods of improving lives in a manner which is automated, and which continues to earn us money. Such money is in my opinion "good money".

### THE ANSWER

There are plenty of ways to earn money which *add value* to the world. In this book, these are the methods that we are going to examine: The high art of combining service of self with service of others. Win-win situations are the best for everyone.

The ultimate path forward is for us to reconcile all these challenges - usually seen as disparate and unable to be tied together. To satisfy the needs of morality, prosperity, edification and charity all in one go? It hardly seems possible - but it is.

Strangely enough though, it has more to do with the work of the ancient alchemists, natural philosophers, hackers and Taoists than it does the modern philosophers, industrialists, economists or moralists.

But that's a subject for another book....

# PART #2 ASSETS

**Chapter 11 - What are Assets?** 

**Chapter 12 - Material Assets** 

**Chapter 13 - Non-material Assets** 

**Chapter 14 - Asset Management** 

# **Chapter 11 - WHAT ARE ASSETS?**

# DEFINITIONS HOW TO ASSESS THE VALUE OF AN ASSET

### **DEFINITIONS**

The "old" definition of an *asset* is that it is simply something you *own*, or hold the title for, that is worth money. The word derives from the Old French – *asez*, meaning "enough, a sufficient amount". In Law, the term might be applied to denote the opposite of debts, or "goods sufficient to discharge or cancel debt". In Accountancy, the meaning is *slightly* different, and "assets and liabilities" are listed in separate columns of a Balance Sheet. But in each case, assets were quantified as *things you own with a salable value*.

However there is an essential "alternative" definition of assets which has now become the standard within entrepreneur circles. I am not sure who came up with the concept first - but it has been mentioned by several of the established teachers of the genre - Robert T. Kiyosaki, Tim Sales, etc. Kiyosaki and Sales have done groundbreaking work in this field and in bringing these concepts to the world. In this section, I present several new angles on the concept of assets - which I believe completes the picture.

In his brilliant online video tutorial "What The Wealthy Buy On Payday", Tim Sales defines an asset as "something that earns you income". This is the entrepreneur definition of the word – and is the definition of an asset that we are going to use for this book. This concept of assets includes the typical things people imagine as assets – such as money, real estate, stocks and funds. It also includes "intangible assets" - as mentioned in accounting – also known as intellectual property; such as patents, compositions, books, images and profitable business systems.

However, this is far from the whole picture. Assets can take a huge variety of forms - and are not limited to the set of "material assets" such as those listed above. There are *many other types of asset* which are not often considered, but are absolutely vital to understand.

I have expanded the concept of assets to include not just *items you own or control* that earn you money but *inner qualities that can "work for you" to earn you money -* such as knowledge, reputation and skills. I have called these things the *non-material assets*. They are the "missing piece of the puzzle" and the key to the creation of material assets that many of the writers on the subject of wealth completely ignore.

Although many will say that Material Assets are the most important, and that they are the "real" assets, I counter this idea. It is from the non-material assets that the material assets are created - therefore I urge the reader to consider the Non-Material Assets as having at least as great a value - although it is often harder to quantify and measure. They typically need to be developed first.

Of course, as far as we are concerned, the best assets are not only those which earn you income, but those which earn you income in your sleep! Both inner and outer assets, if applied in the right way, can lead on to automated income.

In the chapters below you will find a giant list of types of asset, divided into the two subsets of *material assets* and *non-material assets*.

In his video tutorial, Tim Sales goes on to explain that those who are on a path toward true wealth, invest as much of their money as possible in assets, whereas others either spend their income on things that are non-essential or things that continue to cost them further money.

Spending money on assets is a true definition of what is meant by investing.

If you haven't watched Tim Sales' educational videos, I highly recommend that you do so. I believe they contain some of the clearest financial advice I have ever come across - and when I first saw them, they were a tremendous flash of inspiration. The rest of the series can be found at <a href="http://www.mlmbrilliance.com">http://www.mlmbrilliance.com</a>

### HOW TO ASSESS THE VALUE OF AN ASSET

People often state their *worth*, or their *wealth*, to be the *salable value of the items they own*. However, this is only part of the picture - and very often it's a somewhat false way of looking at things.

A better way to look at the value of your assets - especially if you are looking to make money while you sleep - might be to consider this: An asset's real value is in *how hard it is working for you*, or how much money it is earning you - or how much it is enriching your life.

You might have something which is supposedly worth a certain amount on paper - but if it brings you little joy; you are not able or willing to sell it; and it is not generating revenue for you or increasing significantly in scarcity or value, then it could in a sense be seen to be worthless! It is what I will call a *dormant asset*. If you want it to start working for you, I believe it best to do one of two things: *activate it* (i.e. somehow bring it to the point where it can bring in money), or *consolidate it* (exchange it for another asset which can *work harder for you* and earn you more money).

An example of a dormant asset which might be *activated* is an unfinished book that you are writing.... An example of a dormant asset which might be *consolidated* is a stock which is not making any real gains: It might be better to trade it in for something that will work harder for you.

I will explain all this in further detail in Chapter 14.

# **Chapter 12 - MATERIAL ASSETS**

Chapter 12 delineates the classic set of "material assets" - as considered by so many to be the ultimate prize....

# MONEY REAL ESTATE

PROPERTY (i.e. belongings, not real estate)
PROFITABLE BUSINESSES
"CLASSIC" INVESTMENTS and STOCKS
LICENSABLE OR SALEABLE INTELLECTUAL PROPERTY
TOOLS / MACHINERY / WORKSHOPS / STUDIOS
VIRTUAL REAL ESTATE
"PERSONAL REAL ESTATE"

### **MONEY**

Cash. Paper. Dough. Bread. Liquid funds. Readies. Lucre. Good old *cash money* is considered by most to be the asset *par excellence...* but in some senses, it actually is not!

Cash is a kind of *dormant asset*. In and of itself it just sits there. It does no work for you. It cannot grow unless it is invested in something; it can only shrink. And boy does it shrink!

I don't think it's a good idea to keep much cash, unless you are in a trading business or something similar which requires you to make instant purchases. I recommend investing cash in other forms of asset as fast as possible - because otherwise, cash disappears. Ever notice its habit of doing that... all by itself? It *inevitably* gets spent! Always.

I think of cash, in all honesty, as a kind of "feelgood" asset – one with an enormous power to delude. Is there anything that makes you *feel rich* in quite the same heady way as a *fat wedge*? Watch out for those feelings. They are a kind of *comforter* – but this is a poor substitute for an *asset strategy*. More on this later.

Some will state that having liquid funds is essential to business – because it gives you the power to move when the time comes. While this is true, it also gives you the power to make impulse purchases – and as I have discussed in my book <u>60 Secrets</u> <u>of Wealth</u> - most of those who have a pile of cash, burn through it quite quickly.

I'm not the only one who considers cash a "relatively" poor asset. Warren Buffett, in an often-quoted **piece** in the New York Times, said:

"Today people who hold cash equivalents feel comfortable. They shouldn't. They have opted for a terrible long-term asset, one that pays virtually nothing and is certain to depreciate in value."

### **REAL ESTATE**

This could be houses, land, commercial buildings. These things are assets both in the sense that their value can increase over time, and they can earn money when rented out or used as business premises. Real estate can almost always be put to work and used to generate income.

Property investment is viewed today as one of the classic ways to great wealth. Huge increases in house prices in the last fifty years have seen many investments multiply enormously in value.

Real estate is covered in Chapter 24.

### PROPERTY (i.e. belongings, not real estate)

Certain items - usually luxury goods, collections, antiques or other "treasures" can increase in value over time. A classic example is the Steinway Grand Piano. These, if looked after, can sell for much more than their original purchase price. Not only this, but they can be a source of joy - and also possibly a means toward further income - if you are a piano teacher, musician or concert venue owner for example.

Steinway has provided surprising <u>figures to demonstrate this increase</u> on their web site.

One factor to bear in mind with items in this category, is that there may well be additional costs incurred in their maintenance, protection and preservation. Moth and dust do indeed corrupt! Unless you find some other way to leverage off the ownership of such items, (for example through trading, consultation or rental) I would not consider them to be a "fast track to wealth". However, they may earn you some money while you sleep. Interesting collections and treasures could also possibly earn revenue if an admission fee can be charged for their viewing. Also, they can be used to attract visitors who might then spend money in other ways.

I go further into this in Chapter 19.

### PROFITABLE BUSINESSES

A profitable business is an asset which can bring in enormous revenue - both from operating profits and if offered for sale. Most businesses require a period of immense hard work to get them off the ground and into profitability - but the development and sale of businesses is widely regarded as one of the royal roads to financial independence. Of course, businesses can be risky enterprises.

Of particular interest from the point of view of *making money while you sleep* are businesses which you are able to *set up* and then run with minimal future involvement. There are an enormous number of possibilities here - but one of the main considerations, is that the factor of *diminished future involvement* in a business will very often depend on whether that was part of the plan in the first place! Put simply, businesses that are going to free you will most likely need to be planned that way from the start - either that or generate such profits that you are able to sell them; or hand the baton of management over to someone else.

It is difficult to transform a business from something that requires all of your time into something that can run without you being there - and one of the paradoxes of modern business is that very often an enterprise that was set up by the founder as a means to free them, ends up enslaving them and putting them under much greater pressure than the old job they left behind to *start a new life*!

Internet-based businesses which have automated processes are one good area to investigate. As is often said, the internet is a store that is open 24 hours a day! And with the coming era of increased automation and artificial intelligence, I predict that all sorts of new computer-based businesses which *run themselves* will appear within the next 10 or 20 years. This has already begun. See the sections on Internet and Automated Processes for more on this.

Another area of investigation would be businesses that can be run by staff. If for example you have set up a business which profits \$100,000 per year and you have found a manager who can run it for \$50,000 per year, then the business is going to earn you money while you sleep!

More on profitable businesses in Chapter 26.

### "CLASSIC INVESTMENTS" and STOCKS

Savings accounts, Bonds, IRAs, Mutual Funds, Stocks... these are things that fall into the category of what I call *classic investments*. I use the word *classic* to differentiate them from other ways to *invest* money (which by the definition of this book means *to spend money on assets of all kinds*).

There are many options and possible strategies for investment of this sort - and possibilities of great gains - or losses - while you sleep.

One example of an easy investment to create is a savings account. Like most others, I think it's a very good idea to have one of these. Although the money in a savings account doesn't work very hard for you, it is one of the most secure forms of investment - and so makes an excellent place to store *emergency funds*. Some recommend keeping emergency funds to the value of 3 months earnings.

I discuss classic investments and savings further in Chapter 27; stocks and their derivatives in Chapter 28.

### LICENSABLE OR SALEABLE INTELLECTUAL PROPERTY

This is a classic example of work which can be completed and then continue to earn you money for a very long time. Some examples of intellectual property might be original music, art, books and articles, studies, tutorials and research, software, screenplays, patented processes / inventions, films and videos.

Licensing is very often the key word here; and when this is considered in the light of opportunities created by digital media and the internet, there are a myriad of possibilities for *exploitation* of your work. (In this context, the word *exploitation* means simply to use profitably - as opposed to the other, more negative meaning of the word). Other things too can be licensed – such as profitable business systems – and I would go so far as to say that an understanding of the way licensing works is a vital key to making money while you sleep.

The best intellectual property can be a lifetime's source of revenue - but the down side is that it can be unpredictable, as fashions and technologies change. Also, competition is fierce.

Many people attempt to "get rich fast" in the various fields of intellectual property, and having worked in this area I would say that the most common pitfalls are:

- 1) Composers, authors, etc. sometimes have a great understanding of their craft, but a poor understanding of the business elements of their trade. Knowing how to present, exploit and market your content is often as essential as having the good content in the first place.
- 2) Many concentrate on gimmicks, trick marketing or sensationalism in order to generate fast revenue but the real money is typically made by products that are of a higher *quality* than the majority, and are therefore more enduring. Quality really is the key. If you for example compose better music than anyone else of your generation, it will probably be making you money while you sleep beyond your lifetime!
- 3) In the information era, there is so much free information out there, that a knowledge of how to profit from intellectual property is as important as actually being

able to create it in the first place.

A catalogue or body of work can be a tremendous asset - more on this in Chapter 25. A strategy that authors and composers have used in this regard is *volume* and some have capitalized on the sheer amount of work they have *out there*.

For an example of the power of intellectual property licensing to *make you money* while you sleep... consider Bill Gates!

Intellectual property is covered in depth in Chapter 25.

### TOOLS / MACHINERY / WORKSHOPS / STUDIOS

These are items which can earn you money while you sleep through rental. A classic example might be that of a freelance music producer with their own recording studio. Let's imagine our industrious producer works in their studio for 50 hours per week. This means that the studio is unoccupied for 118 hours per week! This provides a fantastic opportunity to earn money while sleeping: Already having one source of revenue, our producer might be able to offer lower rental rates than competitors and gain significant income.

The above is also a classic example of a *vertical business strategy - leveraging another income stream from existing assets.* 

For someone looking to do something like this, it can be a way to afford their "dream studio" or workshop. I would recommend prior market research to assess the *actual demand* for the kind of facility you are considering.

Another factor to take into consideration is that there will be inevitable wear and tear to equipment through additional use, and additional maintenance costs.

### VIRTUAL REAL ESTATE

Put simply, virtual real estate is web sites, domain names and other forms of *internet* presence.

Any web site, web page or even a web 2.0 profile can be seen as an asset if it generates revenue or drives traffic.

In many cases, web sites and domain names – especially ones which drive traffic or generate revenue, can also have significant resale value.

More on this in Part #5 – The Internet.

### "PERSONAL REAL ESTATE"

Anything that you own, that is often seen by others, can potentially be used as advertising space. I have called this concept "personal real estate."

A simple example of this would be to attach a magnetic sign and a business card holder to the outside of your car. It will be seen by many people and can potentially generate much business, drive web traffic or even sell products through an automated online system with no further effort.

There are many other examples and possibilities here, and all kinds of ways this concept can be expanded upon. More on personal real estate in Chapter 34.

# **Chapter 13 - NON-MATERIAL ASSETS**

"Broke is a temporary condition. Poor is a state of mind" -- Sir Richard Francis Burton.

"You are your wealth." -- Anon.

INTRO
HEALTH
TIME
REPUTATION
RELATIONSHIPS
NETWORK
WARRIOR SPIRIT
IDEAS
SKILLS, KNOWLEDGE AND TALENTS
SELF-RESPECT
KNOWLEDGE

### **INTRO**

These assets do not belong to the classic set of *material assets* as perceived by so many to be definitive. However, they are *in every way* worthy of equal consideration. They are not as *tangible* and easily measured as a fistful of cash - but *it is from the non-material assets that the material assets flow.* 

Many rich people have confidently stated that if you took away all their material assets, they could regain them all by applying their *inner assets* - their knowledge, skills, experience etc. This is a classic demonstration of a person *being their wealth* – and a perfect example of how material assets are ultimately created *from within*.

You, at the end of the day, are your wealth. The things you have gained, you have created a result of your own wealth as a person... material wealth flows from you as a manifestation of your inner qualities and their value. So, concentrate on you first - your value as a person - and all things will come to you. This is a vital concept to understand.

One of the best things you can do is to *invest in you*! It can be hard to do this, when surrounded by the needs of life... but it is a simple fact: Instead of going out there grasping desperately after *whatever you can get*, concentrate on developing and improving yourself in every way. Make yourself invaluable, useful, desirable - in expertise, all things. You will be able to command higher fees, attract new clients and hold on to existing ones more easily. *You* are your most important asset!

Here's a list of non-material assets. I think I have covered it, but there may be more. See if you can come up with others!

### **HEALTH:** The most valuable asset of all.

(Note - I am not a healthcare professional – and therefore anything I say on this subject should not be seen in any way as medical advice or as a substitute for consultation with a professional.)

Health enables all further endeavors; lack of it prevents them. It is THE most valuable thing you possess, and the greatest asset you can possibly invest in. Learning about ways to improve your health and vitality can be of enormous benefit to your life.

Look after your health. It's simple. If you don't have your health, you don't have much. So, follow the motto that an ounce of prevention is worth a pound of cure, and take care of yourself. It is widely held that you can greatly diminish your chances of illness by eating well, reducing stress, avoiding toxins and taking regular exercise. You will not find it so easy to set up systems that make money in your sleep if you are incapacitated and paying huge medical bills!

Make sure to leave a little time for rest and recuperation. Listen to your body. If you are tired or run down, rest. If you get sick, it will knock a bigger hole in your time, and your assets. Learn your limits - and learn to love yourself!

### TIME

"You can have anything except my time" -- Napoleon

"Time sneaks up on you like a windshield on a bug." -- Jon Lithgow

"The Moving Finger writes; and, having writ, Moves on: nor all thy Piety nor Wit Shall lure it back to cancel half a Line, Nor all thy Tears wash out a Word of it." -- The Rubaiyat Of Omar Khayyam

Time is probably the second most valuable of the non-material assets. It is an interesting and unique one at that; it has its own set of rules and behaves differently to all other forms of asset. It is quintessential to learn to manage it well and use it properly.

One of the master keys to using time well is to appreciate its nature as a finite commodity. It can be cast carelessly and wasted; or invested wisely in pursuits which

will yield harvest. Unlike other assets, you are born with a greatest supply of it you will ever have, and this supply dwindles as you age.

### Using your time well

The present moment could be said to be the sum total of all your past moments. Our present condition is the result of all our past choices and experiences - and the ease and grace of our lives in the present is to a great extent the result of our previous actions! Therefore, invest your time well. Take time to make yourself a better person - acquire skills, knowledge, good relationships and of course material assets - and life will have a tendency to become easier rather than harder as it goes on.

### Time management

"It has been my observation that most people get ahead during the time that others waste." -- Henry Ford.

Anything that saves you time creates more of this valuable asset, which can then be used for the things you want to do, and for expanding your other assets and ways of making money while you sleep. One of the fundamental principles of time management is setting up systems that will save more time in the long run than they cost to set up. In a similar manner to setting up profitable systems, good time management systems require a little time investment up front, and then continue to pay off. Much more on this in Part #6 – Automated Processes.

There are also many good books and free articles out there on time management. And you will be able to find some good info using search engines. I have compiled five essential points:

# 1) Prioritizing

Always do the most important thing that you can be doing. Then move on to the next most important thing. **Start at the top.** It's easy to do things slowly, without intense purpose or lazily - and its easy to procrastinate into doing the easy things, kidding yourself that you're working. The mind can be incredibly tricky and create all sorts of excuses and subterfuge to avoid doing important tasks. Ultimately you must learn to discipline yourself.

# 2) Waiting

Every day is filled with moments when we are waiting around; either waiting for someone to be ready, waiting for the bus, train, plane, waiting in line, waiting for the computer to boot, the kettle to boil, the bath to run, the rice to cook; you name it. If you added up all these hours of lost time, it would amount to some colossal figure - possibly even totaling years of one's all-too-short life!

If only you could harvest this time and do something valuable with it. Well you can! Create a list of "ideas for things to do in spare moments" - and have them ready. You can easily accomplish several mundane tasks or much study in these idle moments,

simply with a little forward planning.

### 3) Audiobooks

You can easily learn a language or a skill - maybe several - completely in your spare time. Audiobooks — or other "podcasts" are a great way to learn. You can listen to them for example while traveling, cooking, walking or exercising... there are so many opportunities to *listen* while other things are happening.

### 4) Money can be used to buy time

If you have enough money you can have many of the things you don't want to do, done for you. This might be through hiring staff or through creating automated processes: Money can be used to buy time-saving tools and equipment.

### 5) Timing your day

One of the principal enemies in time management for most people is that they fail to budget accurately for time. This is usually based on false estimates of *how long things actually take*. The cure for this is actually quite simple, but takes a little effort: Get a stopwatch, and time how long things *actually take*.

When you know how long things actually take "door to door" you can plan more effectively – waste less time leaving too early, and avoid missing important appointments. Often, say for example in the case of journeys, you will need to time several runs in order to get a good figure for what is likely to happen.

Many people might think that such action is *obsessive*, or *nerdy*, or something – but I really think it's worthwhile. Knowledge enables you to act far more precisely and move much more fluidly than guesswork.

#### REPUTATION

Your reputation is a key asset. An excellent reputation can *work for you while you sleep*, bringing you opportunities and profit galore. So how is it that reputation is to be improved? Simply by *proven reliability, punctuality and honesty* - in work, dealings, promises, agreements and friendship etc. *Actually being* faster, cheaper and better – rather than just claiming to be.

Developing and increasing reputation is a fantastic overall marketing strategy. There is truly nothing in marketing better than people saying how amazing you are. Reputation leads to the best form of sales – repeat sales – and is key to making money while you sleep. Let's say you worked hard to make the sale for your first product. If it was great, you have a strong chance to make the second without further effort. There are writers whose work I will pretty much automatically buy when I come across it. This is not because I am a "collector". It is because their stuff is solid – and I know that I will want it in my library. *This* is the key to making money while you

sleep. It's why it takes a while to get it going – and is also the reason for such a long preamble in this book about foundations and mindset etc.

A fundamental part of reputation is *keeping your word*. This is a twofold skill – it involves consistently doing what you have said you are going to do, and being careful what you say! Guard your reputation with your life and do everything you can to improve it. I am not talking about "reputation management" - which is often a polite term for "covering your ass". I'm talking about *actually being the best* – so that people recommend you.

### **IDEAS**

"Lack of money is no obstacle. Lack of an idea is an obstacle." -- Ken Hakuta.

Ideas are a phenomenal asset! Many people think that "only a few people have great ideas" - but the truth is that most people have brilliant ideas; they just don't have an *idea retention strategy*. Being an "ideas person" is something you can learn.

Create an *ideas notebook*. Or a document that always sits on your computer desktop, or get a pocket voice recorder, whatever. The main thing is, it has to be very accessible to you *wherever you are*.

Get into the habit of keeping your *idea record* with you at all times. Ideas can strike at any moment - and very often it seems to be when you are having fun, relaxing or in the middle of doing *something else*. In the past I used to buy hardback notebooks, with plain unlined paper and an attractive cover. Subconsciously this has a good effect on me, it encourages me to think of my ideas as special, important, noble, something to be proud of. However, now I have an iPhone with the voice memo feature... and I just press a couple of buttons and talk into the phone. One of the good things about this is that it can often be done "on the run" - and people just think you are talking to another person at the other end....

Get into the habit of noting your ideas as soon as they happen... however trivial or random they may seem. The purpose here is not to assess them for usefulness - the time to do that is later. The purpose is to let your imagination run riot and get down anything you think might be fun, creative, clever, useful, profitable, beautiful or would solve problems for yourself or others. So my ideas books contain sketches of robot devices, countless crazy imaginary inventions, names for books or songs, descriptions of the perfect sound system, graphic designs... anything and everything. I love my ideas books. They are places of inspiration and hope; worlds of color, creativity, idealism and dreams.

You'll be amazed at just how many brilliant ideas you actually have - but unless you

keep an organized record of them, 90% of them slip away and are forgotten.

You'll also be amazed at how in a few years time, you might be looking back through your old ideas books when you see a fantastic idea which you had forgotten about, and which can be put to work.

Another note - You don't have to use all your own ideas - You can sell them, license them or pass them on to others.

Everyone needs brilliant ideas. And the most successful business people not only have them; they know how to hold on to them. So train yourself to develop the habit of putting down an idea as soon as you have it. You don't necessarily have to follow it through to the end, there and then: Just make enough notes to keep the essence of it. Wild ideas. Cool names for things. Funny sayings that would make a great t-shirt. Possible business ventures. Anything and everything which might one day be useful. Don't censor your ideas from yourself. Allow yourself a space to go wild... don't limit your imagination in your ideas book. Very often, from pure flights of fancy and absurd imaginings, come brilliant plans.

Your *ideas* documents could be some of your best assets.

# RELATIONSHIPS (i.e. everyday relationships as opposed to romantic relationships)

A hugely valuable asset! Your ability to conduct worldly affairs depends on them. Your ability to sell to someone depends on their level of confidence in you - therefore it is always worth investing in relationships. This can mean anything from taking a knowledgeable person out to lunch, through to going the extra mile to ensure genuine customer satisfaction. It's worth it. Be the best! People talk. And if people are saying good things about you while you sleep.... well, you know the rest! The most effective way to improve relationships is simply to focus on the needs of the other person. Thus it is said that the best sales people are those who make their primary intent to seek *solutions* for their clients rather than aggressively seeking sales.

One of the most famous books on relationships of all time is Dale Carnegie's 1936 classic <u>"How To Win Friends And Influence People."</u>

#### **NETWORK**

I already mentioned having a *good contact database* in Chapter 4, and given some ideas for ways to put this together. Your *network* is your overall *reach*. It includes people you know, and also *communities that you are a part of* – whether these communities are local to where you live or *online communities*. Developing a network

can be essential to some fields – and effective methods of reaching these people can be of great benefit in marketing.

### **WARRIOR SPIRIT**

A true warrior is not so called because they are bristling with weapons, and strike terror into your heart with their piercing glare which would suggest that they could chop you into pieces if you dared to say the wrong thing.

This is a poor, machismo definition of a warrior and has nothing to do with the kind of warriorship I am talking about here. A *true* warrior is someone whose battle is against their own weaknesses. A master warrior has mastered *the art of self control*. They are a person of determination, spirit, perseverance. Carlos Castaneda, in his books about the old wise man *Don Juan*, goes into great details on the subject of *warriorship*. One of Don Juan's most memorable quotes states that the supreme virtues of the "impeccable warrior" include "control, discipline, forbearance and timing". These things will serve you well in business, as well as other fields.

### **SKILLS AND TALENTS**

In the course of your lifetime, you have amassed a veritable hoard of skills, knowledge and talents. Since the earliest days when you were learning to walk and talk, you have never stopped learning. You are a treasure trove! Although this might seem like stating the obvious, it should not be overlooked. An experience of youth or a simple thing learned in childhood can very often be the spark of inspiration for an entire career.

I encouraged you (in Chapter 3) to write a list of existing skills. Now it's time to take this further.

Phase B is to write an adjoining list; this time the title is "What things might I be able to do with the skills, knowledge and talents I have?" For example if you can type, some things it could help enable you to do might be: Write a book; data entry; write articles for a magazine; create copy for web sites; write love letter templates which you can sell online while you sleep....

See how many possibilities you can list. Even the small, seemingly insignificant skills and bits of knowledge you have - like changing a spark plug on a car — may be of use.

Then, look at the entire document as a whole, and start to see *further things you could* do with your skill set.

The objective here is to uncover your special abilities. I believe everyone has them -

it's just that some people haven't figured out what their real specialities are. It took me years to uncover some of mine. Often they are a result of combinations of existing abilities that you have, that you may not have seen previously.

For example, writing was one of my hidden skills. I was fortunate enough to have received a first class education - from both my father, to whom I am deeply indebted, and some excellent school teachers. After that I became involved in other careers which had little to do with writing. However, without ever deciding "I am going to be a writer", I found myself naturally writing, typing, researching and studying in my spare time... and without realizing it, merely through doing my thing, I developed many of the abilities of a writer. I had a strong natural inclination towards writing. Now that I look back at my notebooks, musings, ramblings, ideas, sketchbooks - gigantic piles of paper and megabytes of data - it's hilarious that I never realized this! And it suddenly dawned on me, after years, that I could actually make a possible successful career avenue out of authorship - not only that, but I had a great head start with the volume of material I had already written.

### SELF RESPECT

From self-respect comes both the confidence to think for yourself and freedom from the need for *constant external validation*. Free yourself from the need to be admired and envied by everyone around you, and you have lifted a great burden from your own shoulders. And you will command your other resources with greater power.

The best way to improve your self respect is to dedicate yourself to self-improvement. Knowledge that you are investing in yourself, and that you see your path clearly, will naturally increase your self-respect.

If you do not respect yourself, you might constantly need to try to boost your confidence with compliments from others. And you might *spend* your time and *fritter your assets* trying to gain approval.

It is often remarked that the truly wealthy are not as ostentatious as *the middle class*. It is my belief that freedom from the need to impress is actually one of the keys to wealth building - simply because the need to display wealth usually results in spending it, rather than investing it! Apply the following metaphorical saying to your wealth: "Talk quietly but carry a big stick."

You will find it a lot easier to build assets if you are free from the need to impress. Free from the need to impress, you will be able to reduce spending dramatically, and will be able to think clearly. Thinking clearly, you will be better able to see opportunities and recognize dead-ends. You will be able to move more decisively and wisely.

Not only that, but your friendships may be more true - and there is nothing finer.

### KNOWLEDGE

To a great extent, the value of knowledge has already been covered in Chapter 7. But to recap – genuine expertise / specialist knowledge can be an invaluable asset. A leading expert in any given field will typically have little difficulty in finding work if need be. There are also many other ways in which knowledge can be capitalized on – such as the creation of intellectual property or new business ventures.

You'll find that many of the major methods of making money while you sleep, mentioned in sections 4-6 of this book, require some form of specialist knowledge. It's important to note, however, that specialist knowledge needn't *set you up* for a lifetime of toil. It depends how you apply it. Using the right methods, you can use your specialist knowledge in ways which continue to develop your other assets *while you sleep* – whether these are revenue, greater expertise, web traffic, acquisitions of other kinds - or other.

And of course, applying your understanding of *curves and the rise and fall of things*, you can choose to study subjects which are likely to be relevant, useful and which will give you the greatest future leverage.

# **Chapter 14 - ASSET MANAGEMENT**

"A house is just a place to keep your stuff while you go out and get more stuff." --George Carlin

#### INTRO

THE IMPORTANCE OF GOOD ASSET MANAGEMENT STRATEGIES
FINANCIAL INCONTINENCE
RETRAINING YOUR SPENDING HABITS
THE GOVERNMENT, THE LANDLORD AND THE BANK
ACTIVATE YOUR HIDDEN OR DORMANT ASSETS
A FEW STRATEGIC IDEAS TO CONSIDER WHEN INVESTING
PROTECTING YOUR ASSETS
SUMMARY: WHAT TO DO WHEN YOU GET PAID

### **INTRO**

This chapter is one of the most important of this book. Asset management is one of the absolute fundamentals of earning Money While You Sleep. If you are a Master of asset management, you will always be finding good ways to put your assets to work for you.

There are four basic underlying tenets to asset management: How much you earn; How much you spend; how much you invest; and what you invest in.

Others have defined the path to happiness as *your earnings being greater than your expenditure* but I am going to tear that up and throw it in the recycle bin!! My new, amended, turbocharged version 2.0 definition is this: *The path to happiness is not only when your earnings are greater than your expenditure, but when you are investing the difference in more assets and moving towards freedom!* 

### THE IMPORTANCE OF GOOD ASSET MANAGEMENT STRATEGIES

I have friends who have made – and then spent – astronomical sums of money. Earning large sums of cash without an asset management strategy is like pouring thousands of gallons of water into a sieve: It really doesn't matter how much you earn, it will all fall through and be gone. This point is *incredibly* important – yet so very often overlooked. Most people really think that in order to be set up for life, all they have to do is "hit the jackpot" one time.

But there are **numerous** stories of lottery winners who after a few years have no more money than when they started...

It's a long term game. It's not about getting it in five minutes - usually the ones who want it in 5 minutes will spend it all in five minutes too. It's about your earnings being consistently greater than your expenditure, and knowing what to do with your earnings.

How many are those who have had a lot of money and burned through it faster than a snowball in hell? I've seen it happen. I've known lottery winners, rock stars, all kinds of people who have *hit the jackpot* - and then a few years later were back where they started. This is not the way to great wealth.

Two relatives of mine, "Handsome George" and his brother, inherited the family fortune, a quarter of a million pounds in the mid Nineteenth Century (equivalent of many millions now)... and burned through it all in six months.

### The big fix will not cure you

If you have poor *asset strategies*, flash in the pan methods of making quick bucks will not solve your financial problems! Everyone's trying desperately to pull down that fast score - but they have no *net* to keep it in and so, even if they score, the money evaporates! A great majority - especially fledgling entrepreneurs - think that "cash injections" are the cure for their financial maladies. They are not. The cure is having good asset strategies and sticking to them.

Such asset strategies include: Good money management skills (especially in the allocation of funds into the different areas of one's life); creating and sticking to a structured long-term plan for development of both material and non-material assets; and habitual investing as opposed to habitual spending.

Cash injections may *alleviate symptoms* in the short term, but they are absolutely not the real road to financial health: Don't get hooked on them! If you have no real *asset strategy*, wealth creation or money management skills, you end up back where you started, no matter how big the cash injection. You need to be able to *generate wealth from your wealth* otherwise you will still ultimately be tied to the wheel...

### FINANCIAL INCONTINENCE

Most people waste an incredible amount of money. I have done it too. Creature comforts, "toys", luxuries, gifts, non-essentials... the list is endless, and so is the number of possible temptations. Many people spend more time planning how they are going to spend their money than planning how they are going to make it!

Q. What happens if you have a sweet lump of cash hidden in the drawer? A. It shrinks.

Of course it does! It always does! Why? Because having a lump of cash changes your psychology. Like a credit card. You think, "I don't have to worry so much" or "I can afford it now" and you slack off a little. Suddenly you can afford this thing or that thing that you desired. You make a few impulse purchases. The next thing you know... it's all gone!

How many times has this happened to you?

It used to happen to me all the time.

Just having a wad of cash is almost the same as kissing it goodbye.

The solution is simple: Invest your money in assets before you have a chance to spend it on crap. And then when the sweet lump of cash is no longer sitting there tempting you, you will be forced to devise other ways to make money. A little pressure is good, it makes you get your act together. This is what is meant by the old axiom "Stay hungry".

Financial incontinence is a good term for many people's financial state. They can't contain their money - it just leaks through their fingers like water and is gone, every time.

Why are people unable to keep their money? The reasons for this are manifold:

Partly it is through a lack of good education as to the principles - and importance - of asset building, strategy and investment.

Partly it is through a perceived need for escapism, diversion or "comfort spending".

Partly it is a general lack of self control.

Partly it is the Government, the Landlord and the Bank (see below).

Also, and I know this may be a hard thing to face, but a major reason for many people's difficulty, is insecurity. I do not in any way wish to pay any disrespect to those whose impoverished circumstances may be through no fault of their own - but there are many who *keep themselves poor* - through an insecure need to spend money impressing other people.

I have done all these things. This was me, not so very long ago. And such habits can be ingrained - difficult to see, difficult to face, and difficult to change. Yet change them we must, if we are to get anywhere.

Inability to live modestly prevents you from building capital which can be invested in assets. It is the principal enemy of making money while you sleep!

### RETRAINING YOUR SPENDING HABITS

The cure for all this is actually really simple - on paper. It predominantly takes two things: *mental discipline*, and an understanding of *investments* and *assets*.

Mental discipline! Do you want to be poor, weak and unhealthy or do you want to be wealthy, strong and healthy? This is where the *warrior spirit* I was talking about earlier comes in handy!

One thing I have observed is that life has a tendency to separate *the weak from the strong*. Those with self-discipline stand a much greater chance of survival and success; those with no self control seem more likely to get *taken down early by life*. Through my own eyes I've seen it happen time and time again.

So in general, you will need to re-train your spending habits. The key phrase is delayed gratification. You might ask yourself questions such as the following:

- 1) Will this purchase be beneficial to my health?
- 2) Will this purchase increase my knowledge and wisdom in valuable areas?
- 3) Will this investment really make me money in the future?
- 4) Will this purchase cost me money in the future?
- 5) Do I really need this? Who am I trying to impress? Why?
- 6) Is there a better way I could invest this money?

I think it's a good idea to be a little aggressive with your investment in assets. Don't be afraid to leave yourself just a little short of spending money. It will force you not to be wasteful - and you will also then be highly motivated to work harder. This is what is known scientifically as *lighting a fire under your own ass!* The trick is to get the balance right: you want to push yourself but obviously you don't want to cause yourself unnecessary suffering.

Generally, you want to spend as much money as possible on assets. Other than that, your purchases should be limited to things that are necessary for your well-being and that of your dependents.

### Invest money like a millionaire, don't spend money like a millionaire

Another book I recommend is Robert G. Allen's *Multiple Streams Of Income*. On p. 29 he has created a brilliant list of *50 ways to save* \$*50 per month*.

I highly recommend that you not only study these 50 ways but create another 50 ways of your own. This would be a tremendously valuable exercise. Where are your *money leaks?* Remember, it all adds up.

The point is, to be wealthy, it really helps to be thrifty. Remember the saying *A penny saved is a penny earned*. It's true! *Especially* if you then invest that penny in ways to make money while you sleep!!!

The trouble is, nowadays there's an unfortunate negative social stigma attached to saving money. People have somehow become fooled into thinking that being rich is about spending lots of money - and so off they go, spending lots of money thinking that if they act like rich people in this way, money will somehow magically come towards them. Can you see how foolish and false this is? Not only this, but people are encouraged to frown on thriftiness - as if it denotes meanness - rather than common sense, which is what it actually is.

Let's reframe the stupid old saying You have to spend money to make money with a much better saying: You have to invest money to make money!

And if you want to spend lots of money - the formula is simple: Invest lots of money first until your assets are earning you a lot of money - then you will be able to spend a lot more money for a lot longer...

### THE GOVERNMENT, THE LANDLORD AND THE BANK

The biggest, most serious and *least avoidable* expenses in most people's lives are the money they owe to *the government, the landlord and the bank:* Rent, taxes, mortgage, loans and credit card debt. I haven't added all this up but I would not be at all surprised if the amount people spend on these things totals more than half of the money they earn in their entire lifetimes!

This is the greatest way to lose money while you sleep.

Wouldn't it be great to get even 10% of this money back and be able to invest it?

The good news is, you very often can. Study taxes and talk to a good accountant in order to learn about what might be due to you. Decrease the amount you spend on mortgage or rent by being prepared to live a little more modestly until your assets are earning enough for you to live more stylishly. Buy a car that is a couple of years old, rather than one which is brand new. Decrease debt. Get rid of those additional money-sucking credit cards: They encourage bad spending habits, and also the interest rates are *fleecing* you. The trouble with credit cards is that they make you feel like you have more money... and this increases your spending. And your tendency to spend on things you don't need. The best way to pay off a credit card?

Cut it up. And then keep making payments. The best strategy is to keep one, but pay the balance off every month.

#### **ACTIVATE YOUR HIDDEN or DORMANT ASSETS**

As I mentioned in Chapter 11, you almost certainly have more assets than you think you do. And you very likely have great *dormant assets* - these can be *activated* or *consolidated*.

#### Consolidate your assets and not just your debts.

One hears a lot of talk about "debt consolidation" these days. Debt consolidation simply means the reorganization of your debt into a form where it is more manageable and your interest payments are minimized. However, I personally have never heard talk of "asset consolidation".

Whether it is investments that are going nowhere, or the things in your basement... you are better off putting dormant assets into a form where they can *work harder for you*. This means either selling off the ones which are not working for you - for example selling things you don't use and then buying a fast computer ("asset consolidation"), or it might mean completing that incomplete course of study ("asset activation").

I highly recommend setting up a <a href="Paypal">Paypal</a> business account and an <a href="Paypal">eBay</a> account, if you have not already done so. For now, suffice it to say that it is worthwhile getting rid of stuff you don't want - for several reasons. 1) You'll make some money. 2) You'll learn how to use eBay and hopefully gain some positive feedback - which can be immensely valuable when it comes to buying and selling further things in the future. 3) You might even clear enough space in your home to rent out that spare room, garage, workshop or office space instead of having it full of junk. Now that's another asset activated - and another way to make money while you sleep!

You will of course want to judge what is the most valuable use of your time...

Here are a few examples of dormant assets.

#### The work you have already done.

Chances are, there is much work you have already done which can be capitalized on. Some examples might be:

- Articles or books you have written which can be converted into PDFs and sold online
- or given away to draw traffic to your web site.
- Knowledge you have built up through study you can write about this and encode the products as PDFs as above.

- Skills you have acquired.
- Old web sites / domain names you still own. (See the sections on *Domain Age* and *Domaining*, in Chapters 30 and 31 respectively)
- Incomplete projects which might earn revenue if completed.
- Databases of old contacts / past clients.
- Music you have recorded which can be converted into mp3s and sold online.

#### Things you already own.

- Items you own which you no longer use you can sell these (for example on eBay) and invest the resources in something which works harder for you.
- A building i.e. stable or garage, or room you don't use which could be cleaned up and rented out possibly as studio space, meeting space for a group: the possibilities are endless. You may need to check regulations on permitted uses for your building.
- Businesses you developed partly but did not complete these can maybe be sold, or you could find someone to *take them on* for a share in the revenue.
- Money sitting in a bank account not gaining interest. (keep your *emergency fund* but consolidate the rest!)

#### A FEW STRATEGIC IDEAS TO CONSIDER WHEN INVESTING

Start looking at your asset column as an *upward curve*. Each asset you acquire builds a stronger foundation which enables you to achieve greater income... which enables your to buy more assets... etc.. and on it goes. It may take a few years of persistent effort to build really solid financial foundations for your life but then, while you are making money in your sleep, you will probably look back and think that it was the best thing you ever did. It's a long term *set-up* with an even greater payoff.

### Spreading your asset investments vs. investing harder in a smaller number of areas.

There are a lot of theories here - and many of them contradict. Some recommend playing it safe and *diversifying* in order to minimize risk; others say "nothing ventured, nothing gained." Some theories rely on *quantitative methodology*, other ones suggest that you abandon this entirely.

One of the things about investment, is that it is to some extent unpredictable. If there was one path which always worked, there would be one investment strategy that all would follow. There is no "system" which presents the entire picture. A great deal of your success will depend on your own aptitudes and the *current state of play* in your own field.

The classic and highly controversial text "<u>The Zurich Axioms</u>" by Max Gunther has an interesting take on this. It basically states that most people's way of investing in assets brings them little in the way of real return. It says that the most commonly held

theory is that all risk is best avoided. However, to avoid all risk means to remove all possibility of great gain. *The Zurich Axioms* fundamentally states that risk is essential - but needs to be managed well.

#### The time-phases of investment

Another way to develop an investment strategy might be to break it into time-phases. At the outset of investment, the goals are mostly to build solid foundations. So the first phase might involve paying debts, creating a savings account, and investing as heavily as possible in lower-risk ventures and *non-material assets* such as education and acquisition of skills.

As things progress, and foundations are more secure, ventures with a higher degree of risk, such as starting businesses, might be undertaken more readily.

#### My own investment strategy

A high proportion of my investment has for several years gone into my businesses. I have several small business ventures on the go at any one time. Some are *short term gain*, others are much more long term. I have a few *small businesses on the side*. Some of these small businesses are web sites - "mini profit centers" - some are "real world" businesses. These can be especially great if they are things which require a small amount of setting up and then continue to produce a trickle of revenue with little or no effort. It all adds up!

In addition to these things I like to invest in a small number of commodities, in particular precious metals.

One thing I invest in continuously and heavily at all times is education. I am an avid, incessant researcher. I invest as much time and money on learning as possible. You've probably heard the saying "If you think education is expensive, you should see how expensive stupidity is."

I also like to balance my risks - and will invest partly in low-risk, partly in high.

Businesses are the field of assets that I have chosen to specialize in. Choose your own fields that match your own strengths and inclinations.

#### PROTECTING YOUR ASSETS

This is covered in Chapter 4: Foundations.

#### SUMMARY: WHAT TO DO WHEN YOU GET PAID

1) Resist all temptation to "celebrate" with drinks, fancy dinners or "retail therapy".

Don't do it! From now on, instead of rewarding yourself with shopping or partying, reward yourself with assets.

- 2) *Immediately* give attention to any healthcare issues and pay outstanding bills and debts that are going to cause difficulties for you if they are left unpaid. Pay these in order of importance, obviously, with the most damaging i.e. with the highest interest rate first.
- 3) Pay all your monthly bills and expenses. Calculate what you will need for groceries. Instead of leaving all the money in the account and thinking "I'll just go shopping and buy what appeals to me on the day", allocate yourself an exact amount for provisions. This should obviously be enough to live on, but should not allow you to be wasteful. And remember buy food for your body, not for your taste buds. Leave yourself *just enough* to live on so that you will not be tempted to go to the bar, buy cigarettes, unnecessary toys, accessories or gifts. When I think of the *thousands* of dollars I wasted in the past on completely unnecessary items, which, if I had invested in assets would now be making me a *ton* of money while I sleep.... and I can think of many people who have been more careless than I was.
- 4) *Immediately* invest the rest in assets. Although it is a bad idea to figure out how you are going to *spend* your money before you have it, it is a good idea to figure out how you are going to *invest* it before you have it! That way, you are able to invest it immediately it arrives and therefore not waste any while you ponder what you will do with it. For the rest of the month you'll *have* to say no to things that are an unimportant waste of money: because the money will already be tied up. The concept of *paying yourself first* in this way is a very important one.

I think it's really important to have a savings account. Debit the money to your savings account by standing order once per month from your bank. Try not to touch your savings. They are for emergencies only - or for investment in other assets. Not for holidays, etc.

The time to reward yourself is after you have reached *financial independence*, and your assets are making you enough money while you sleep not to have to worry about a thing. But you may find that by then, your taste for toys and lifestyle accessories has diminished somewhat. You won't need to put on a display to prove yourself any more. You'll be the financial equivalent of "talking quietly but carrying a big stick" - more concerned with protecting your wealth and with using it to create opportunity, than with showing it off at every opportunity.

#### Instability and the modern world

The world - in particular the world of careers - has changed, and there is often not the same stability that there used to be. *Getting out of the game* requires that one's wealth is *sustainable*: It is worth bearing in mind that certain *set-ups* may only be good

for a few years - or less in some cases.

It stands to reason then that assets derived from businesses, especially online businesses, should be funneled into more stable long term assets and revenue-generating streams.

It's all a balancing act.

# PART #3 HOW NOT TO MAKE MONEY IN YOUR SLEEP

#### INTRODUCTION

CHAPTER 15 – ILLUSIONS, DELUSIONS AND PARADOXES

CHAPTER 16 – PITFALLS, TRAPS AND DEAD ENDS

CHAPTER 17 – THE WOULD-BE ARTISTE

#### **INTRODUCTION TO PART 3**

As I mentioned in the introduction to this book - there are an astounding number of ways people *think* they might be able to make money while they sleep. However, many of these ways very often either come to nothing, make money briefly before falling into obsolescence, or end up being a merry-go-round of struggle and problems. The good news is that with a little wisdom, these pitfalls are very often avoidable.

#### Reality check.

The first, the most widespread, and the most readily believed myth is that there is a wonderful path to easy street, "Right around your corner".

It's time for a reality check!

Unless you are a lottery winner (and playing the lottery is NOT a path to riches I would recommend - see Chapter 16.) the reality is that, unfortunately my friend,

You are going to have to do some work!

So you thought there was a way for you to make it big and make money in your sleep without having to lift a finger *first*, did you? It doesn't quite work like that.

The *reality* is that if you are smart you might not necessarily have to work *anywhere near* until you are 65. And there really are more genuine opportunities to make fast gains than there have ever been.

You absolutely can make serious money in your sleep. Many people are doing it right now.

But you will certainly have to do some real hard work first; both inner work on yourself and outer work in the world.

If you assume that it will *not* just fall into your lap, that it is however entirely possible, and that you are going to do it through your own brilliance and persistent determination, you stand a much greater chance of success.

Part 3 checks out some of the pitfalls, the commonly believed fallacies, and the ways not not make money while you sleep. And then - at last - we will examine closely the people who are actually making money in their sleep in Part 4.

## Chapter 15 - ILLUSIONS, DELUSIONS AND PARADOXES

"Reality checks don't bounce." -- Anon

GETTING OUT OF THE GAME IS A CHALLENGE FALSE HOPES WHY DO YOU WANT TO BE RICH? THE FREEDOM PARADOX THE MILLIONAIRE LIFESTYLE PARADOX

#### **GETTING OUT OF THE GAME IS A CHALLENGE**

You see those *hype-merchants* sipping pina coladas on the beach, explaining how it would be the easiest thing in the world to be rich and have the easy life *if only* you buy their "fool-proof system" and do exactly what they tell you?

Yeah right.

Getting out of the game is a challenge. Of course, there are a handful of people who have had *incredibly lucky breaks*. But the fact of the matter is that creating financial independence is no mean feat. If it were easy, everyone would be doing it.

It is, however, *entirely* do-able. And the means by which it is done is based on asset building, and having those assets work for you.

It must be noted: Financial independence will not happen overnight. It is something you have to work towards. However, each step you take towards it can make the following steps easier.

Even if you have no intention of giving up your job and launching into the unpredictable world of the entrepreneur, you can still earn money while you sleep by cutting expenditure and investing the savings in assets.

#### **FALSE HOPES**

There are a lot dubious publications and get-rich-quick schemes out there these days. Many of these thrive on "selling false hope". I fell for a few of them myself! Their audience could be said to consist of dissatisfied or even desperate people; perhaps a

little naive in the ways of the world, and who are easily seduced by the promise of a life of luxury.

Remember what I said about spending more time planning how you are going to spend your money than planning how you are going to make it? It is important to have dreams, desires and ambitions. But unfortunately, we are often surrounded with forces that can *manipulate the power of our dreams* and lead us astray.

Ultimately is up to the individual to avoid falling for it... but we believe pretty promises because we *really want them to be true!* 

Let's imagine for a second that you are a snake-oil salesman and you create some clever scam. It's legal but doesn't really do anyone any favors. You "make the quick buck" and get some cash.

What happens next?

Chances are, if you took people's money, you didn't care much for *values* – so it's not likely that what you spent the money on will have much real value either.

In a couple of years time, where will you be? You would have spent the money and you will be none the wiser. You would have to do it all over again.

Let's now imagine that you put heart, soul, study and effort into creating something that can help people. Something that took a while to become successful.

You went through a few lean years while you developed the product – but in that time you became more knowledgeable, more wise.

And now that the product is turning a profit – you not only have a form of income that may last a while, but you have a *reputation*.

The next product you develop, may well be bought on sight by your existing customers – because they hold you in high regard.

Reputation is an asset that comes with a high price – time, honesty, commitment, effort, sacrifice. But once you have it, it can make you incredible amounts of money while you sleep.

Not everything that comes overnight is worth having.

#### WHY DO YOU WANT TO BE RICH?

"Many wealthy people are little more than janitors of their possessions" - Frank Lloyd

#### Wright (1868-1959)

It is a good thing to try to answer this question. A clear goal can save you an enormous amount of trouble. Ever heard stories about people chasing after something that they thought they wanted - and then when they finally got it after years of toil, they realized that they didn't want it after all? The world abounds with such tales.

There is a famous saying that goes along the lines that happiness is a football... we chase after it and then when we reach it we give it a kick, and then we chase after it again.

But most people, apart from a few ascetics and monks, would gladly accept a *suitcase full of cash* if it was offered to them free of encumbrances. I know I would.

Let's face it, who doesn't want a life of luxury? You might not want that despicable gigantic SUV with the spinning hubcaps, but you would sure like the *option* to be able to buy one - or not - as the mood takes you.

For the most part, the attraction of making money while you sleep, is in that fabulous sweet word so dear to our hearts: *Freedom*.

#### THE FREEDOM PARADOX

Can you defy the laws of gravity? Then are you really completely free?

Although we may not live in a state governed by martial law or religious dogma; although we may even be among those who live in the *Land Of The Free*, let's face it, most of us are not *entirely* free. For example: How many days of the week do you wake up with the thought "What shall I do today"?

Even if you reach what I have called *The Golden Castle Of The Entrepreneur* - complete financial independence - there will almost certainly be responsibilities you have in life - and these may even be greater than they were when you were *working!* It is not to be seen as desirable to attempt to avoid the responsibilities of life. However, a good general definition of freedom might be to have created *the kind of life you want to be living*.

However, freedom itself is not an end, but a means: *Freedom to do what?* Most people want to be free so that they can then do something with that freedom.

Freedom is the desire of the visionary: The one who desires freedom desires love, creativity, happiness, learning, friends, adventure, discovery, and to create opportunity for others.

What would you do if you were free?

#### A lot of "rich" people are not very free

Those who earn high salaries are often tied to immense commitments and pressure and sometimes do not live the kind of lives that they really want to. Some, however, do. Seek out those people. The wealthy ones who seem truly happy.

Try to find out what it is that actually makes people happy and compare them to the ones who generally appear miserable. You may find yourself coming to the realization that happiness is often a *choice* that is somewhat disconnected from external circumstances.

#### THE MILLIONAIRE LIFESTYLE PARADOX

The trouble with having more money is that your spending increases. Many people who reach early financial independence are unable to sustain it. The paradox here is simple to summarize: *The way to remain a millionaire is not to spend money like a millionaire*.

This idea was explored in full by Thomas J. Stanley in his classic "The Millionaire Mind". As a result of interviews with a large number of actual millionaires, Stanley found that the *need to display wealth* was one of the true enemies of real wealth-building.

The truly wealthy put their wealth to work for them in order to generate wealth – rather than spending their money. They have a system and the self-discipline to follow it through.

## Chapter 16 - PITFALLS, TRAPS AND DEAD ENDS

"I need another plan, 'cause this one's not working" -- Abstract Truth

"I am a soldier and a farmer so my children can be doctors and engineers and so their children can be artists and philosophers." -- Samuel Adams.

THE WORK-TIL-YOU-RETIRE TRAP
THE RENTER'S ETERNAL CHASE
THE NOUVEAU RICHE MIDDLE CLASS TRAP
THE MERRY-GO-ROUND
"PLAYING THE LOTTERY" - RISKY WAYS TO RICHES
THE ARTISAN or CRAFTSPERSON TRAP

This chapter describes some very common scenarios which are easy to get *caught up in*.

#### THE WORK-TIL-YOU-RETIRE TRAP (and how to make the best of it)

I once spent some time with an old man, who told me his story. It was in many ways a typical tale – but such was the clarity with which he told his tale that it remains etched in my mind to this day.

He was a noble, honest man. Hard working, practical, sensible, responsible. Entirely devoted to his family. Yet there was one thing about his life that sucked. He had to work in an office for 30 years - 30 years of the prime of his life. And, he did not want to be there.

With unrelenting steadfastness he persisted and supported his family, all the way. He didn't know the meaning of the word "day off".

He has actually fulfilled his mission with incredible success. He figured out his game, played it well. He retired, with a solid financial plan in place, and now makes his money while he sleeps. Life is good for him at last... apart from one sad fact: He is old - and the government, the bank and the landlord put the squeeze on him throughout his life: Like so many people, he saw no real option but to trudge on.

What a soldier! He never committed a crime, never bucked the system, and went without all luxuries in order to give his family the best that he could.

Now it is clear that his life was honourable and in many ways exemplary. But although his working life was the epitome of steadfastness and moral uprightness, and I have enormous respect for him, I never wanted a life like his. Why? Because I deeply resented the idea that I had to be a slave for thirty years of my prime, only to fully own a house and truly be able to start living freely and creatively, making enough money when I sleep to pursue my real interests, when I am in my sixties.

The man had no desire to be an entrepreneur of any kind. I don't think he saw it as a realistic option. But having said that, he was smart with his money and had savings and pension plans which he started early - and these gradually added up to a valuable sum over the years. He was fortunate in that while still a young man he had taken the time to study and learn all about pensions, investments and such assets - still a solid, practical way to go for many people.

My old friend learned to live within the trap as best he could. It was as if he knew the "prison rules" of mainstream society inside out; and made the best life he could for his family from there. But at the end of the day, he was still bound hand and foot for a large part of his life - yet was content to relax every evening after his day at the office, and go back the next day, rather than seeking to build a second business in his spare time. His choice, his way. And maybe avoiding stress was one of the reasons he's still alive!

But he came from a world and a time where working until 65 was the only way, for most. Keep your head down, stay out of trouble, stay in line, go the distance. He won the game and escaped - *eventually*. And doing it his way is still something of an option. But times have changed and greater opportunities are out there. Not only this, but in many fields, the *job security* of the old days no longer exists.

\* \* \*

Not only have the opportunities for entrepreneurship expanded in the modern age, but the *necessity* for entrepreneurship touches peoples lives more deeply than it has done in past eras. The world has changed. In many arenas the rapid changes brought about by the information age, have meant that the *stability* of previous times - agricultural and post-industrial revolution times - can no longer be quite as readily taken for granted. This has its up side (opportunity) and its down side (instability). *Adapt and survive* has become the motto. People leaving college this year, will in ten years time be doing jobs that do not exist today.

Even if you're planning on working a regular career until retirement age, and would prefer stability than to throw it all in for a more risky game - you can still start making money while you sleep, even retire early; but you have to play the game smart.

Manage your finances, cut down expenses, invest in assets, gradually build additional income from areas outside your employment - so that you can transition more swiftly and easily into financial independence.

#### THE RENTER'S ETERNAL CHASE

You spend your whole week working, and at the end of the week, you hand the money over. And then you have to go back to work again. You get a couple of weeks holiday every year, but that's it. There's no end in sight to the struggle. You concentrate, keep your head down and gradually make things better for yourself and your family. But it's hard. Is there any way out?

For many, there's not much visible option. Lacking guidance in all things entrepreneurial, and exhausted by the daily grind, they are content if they can keep their health, chill out at the weekend, and keep their head above water.

The problem? The government, the bank and the landlord each take their slice. Then with what's left you pay the bills, buy food, a few essentials, some creature comforts and a few things to give you a little pleasure and help you forget the wheel you are tied to. And then it's back to work. No choice.

This is the simple reality for many. In one of the more wealthy countries, a person might actually earn a decent income - but often wastes a lot of their money, mostly without realizing, either on things that are unnecessary or things that will not bring significant improvement to their lives. Quite often this is through a lack of good information - they simply did not have access to good advice letting them know what was possible or more desirable. Or they may see those around them living in the same way and therefore not question the wisdom of their actions.

A true understanding of the value of investment is uncommon – and so people often choose to buy non-essential items instead of building asset portfolios.

Fortunately, there is good news. These are no longer the days (in some countries, at least) of the nineteenth-century mills, and the virtual slave labour of olden times. With the arrival of the internet, easy international shipping and access to a dazzling array of materials and commodities, there are boundless opportunities to *break out*. And with an internet connection a person can educate him or herself to a very high standard in any subject, enabling many further endeavors. It is possible to achieve qualifications which open all sorts of possibilities – while staying employed.

So my advice in summary? Keep your job. Reduce the amount of money you spend on non-essentials. Often you can reduce this dramatically. I did this myself, and with little effort, cut my expenses by \$2000 per year. I wrote an in-depth article about this called **50 Ways To Save Money** and the techniques in it really worked for me.

The clincher is that the money you save can be turned into *more money* when you invest it and make a profit. So, when you save, you are giving yourself power to earn even more and get on the *upward spiral*.

Find an area of opportunity which has great profit potential and that you have great interest or passion about. Develop your expertise. Invest in your business and in yourself. Gradually build a second income, invest this in more assets and *prise* yourself free.

#### THE NOUVEAU RICHE MIDDLE CLASS TRAP: Eternal debt

"People use credit cards to buy things they don't need with money they don't have to impress people they don't like." -- Anon.

There is a whole class of "unfortunates" who make up what is commonly known as the "nouveau riche middle class".

"Unfortunates?!?" I hear you exclaim. "But surely; these are the people who have it good!"

Yes my friends, that is what I said, I believe many of them to be unfortunate - and here's why: Many of them are hugely in debt, paying giant mortgages and giant credit card bills for overpriced suburban homes and lifestyle accessories. They might *look* as though they are rich, but that's mostly because that's what they want you to see, and that's what they are sweating so hard to achieve: Status.

The middle class world contains a huge amount of social judgement - and this intimidates many people into fearing what their peers think of them. Thus much of their world revolves around "keeping up with the Jones's". They may have nice jobs, but through high monthly expenses they have ended up in a position where they sure as hell can't quit those jobs. And most of their expensive possessions depreciate in value, or continue to cost money. So they're basically tied to it. It's high stress. A number of them may be ill by the time they are in their 50's... and when it comes to their retirement - they may not have the health left to enjoy it.

Now of course there's absolutely nothing wrong with having a well-paying job or being a professional. It's great! The ones with common sense, however, invest their money instead of wasting it.

The *problem* is the spending habits. Crazy spending habits are driven by social insecurity and a lack of information. And they often indicate a lack of an asset strategy.

Want flashy toys, glitter, high stress? Feeling like you have to act the pimp all the time?

Ignore the pseudo-rich who wave their *lifestyle* in your face. Don't be goaded by their vulgar displays of opulence. Remind yourself that most of their shiny stuff was probably bought on credit or cash injections, both to comfort them through their insecurities and lack of real planning, and to win shallow praise from those around them. Smile sweetly as they try to make you feel inferior with their *nouveau riche* posing and social power games both subtle and overt; and invest your money in *real assets*, those which will make you money, build character and maintain health. Remind yourself that in a few years they will likely be hurting financially, and will still be struggling with big mortgage debt while you are just starting to reach cruising speed. You'll power past them and leave them in the dust. You'll have an *asset column*, be free from debt, and also, free from the need to constantly be trying to impress people.

Not only that but your relationships will likely be based on depth of character and understanding rather than social status. These may develop more slowly through time but will be deeper and longer lasting.

#### THE MERRY-GO-ROUND

"All she wanted was to be successful. Round and round she went on the business carousel." -- Nightmares On Wax, "Survival".

This one's a classic. In your desperation and hunger to escape, you try out all sorts of things. Buying all sorts of books on getting rich. Having half baked ideas, half-formed dreams. You leapfrog from one get-rich-scheme to another. Maybe you'll try multi-level marketing - which may be good but often requires you to try to sell your friends products they don't really need. You'll give a plan up in favour of something that looks easier when the going gets a little difficult. Your desire for short cuts makes you a little impulsive - or worse, reckless.

Not only that, but the kinds of things you end up studying and learning about, have little value outside of the get-rich scheme they are particular to.

On the merry-go-round you are so busy *angling and grasping* that you have no time left to invest in yourself.

The merry-go-round has *migrated* onto the internet in a big way. There's a horde of books telling you how to make money on the internet. And many of these tell you to do exactly what *they* are doing: Go out and write a book about how to make money on the internet!

There's a subtle – or even sometimes overt - element of dishonesty to this type of venture. Of course, you *might* make some money if you did this. But ultimately, you will not be adding very much of real value to the world; you'll just be adding to the pile of garbage digital products.

These books are often advertised with pictures of mansions, sports cars and yachts. They play on your emotions and desires in order to sell you something - but do they deliver?

Some do, some don't. For example, writing a book helping people to utilize internet technology to benefit their existing business - there's nothing dishonest in this.

However, often the methods taught in "get rich" books have a short life-span - and there's typically no emphasis on ways to build long-term wealth and freedom.

So think it through. Be honest with yourself. Got a million ideas and unfinished business plans? Try taking a good hard look at them. Will this really make money? Will it still be profitable in ten years' time? Why is it not making money right now? Pick a small number of your best ideas. Ones with some real value and quality – and follow them through.

#### "PLAYING THE LOTTERY" - RISKY WAYS TO RICHES

"He who has relied least on fortune is established the strongest" -- Machiavelli

The world loves stories of lottery winners. Tales of happy-go-lucky individuals bumbling along and colliding with a wall of cash. Why do people get so excited by these stories? Because people like to fill themselves with hope. They like to feel that it could happen to them. And of course the gambling world likes to feed these hopes. But there is a great *myth buster* saying that works like weedkiller on this one...:

#### HOPE IS NOT A PLAN.

For every one story of a lottery winner, there are in fact several hundred thousand untold tales... of "lottery losers". People who waste their money and their time week after week, filling themselves with false hope like some opiate to numb away the pain of the facts: That they have no realistic plan, and therefore no organized means of escape.

Not everyone who plays the lottery is so emotionally invested, but gambling, generally speaking, is not a path to wealth. And I'm not only talking about the casino, I'm talking about doing anything with a slim chance of success. Gamblers like to talk about odds. So look at it this way: Having a clear plan and a method which will work gives you enormously greater odds than playing a lottery in life, taking a crazy risk on

something that probably won't pay off.

Why are we so prone to wasting time and money on risky schemes that won't pay off? Most often because it requires less effort for the mind to fantasize than to face reality.

It's easy to see people wasting their energy on ill-conceived or even dangerous ideas, because they thought it would provide some short-cut through the misery of the workaday life. It is entirely understandable in a way – everyone wants a short cut away from the tedium. But the truth is that some ideas are ill-conceived illusions, and only some are based on truth.

The quicker you can get with the truth and get rid of illusion, the better for all.

Investing in yourself is ultimately the best short cut there is.

One might venture that the ones who are the most successful in life are the ones who were most able to be really honest with themselves and make the difficult changes within that were required in order to achieve greatness.

The great paradox here is that very often those who want to make money while they sleep are the ones lacking the discipline to set it up...

#### THE ARTISAN or CRAFTSPERSON TRAP

Unfortunately, this is a difficult trade. In my view, the work of the tradesperson or craftsperson is some of the most honest and noblest work out there. But genuine craftspeople, often those creating beautiful, outstanding work, are suffering. Why? Because of the saturation of the market with cheap foreign goods: Pseudo-exotic crap is imported in vast quantities by those without discernment for those without taste, in order to make fast profits.

Many craftspeople work long, long hours to get ahead. If you calculated the actual amount per hour many of them earn, it can in many cases be frighteningly low. They have the satisfaction of a job well done and a thing of beauty created - but it's hard to get ahead in these fields. And yes, most often in these fields you do the work once and get paid once - so you've guessed it, they're going to keep on working hard 'til retirement age and possibly beyond. Unless they get *crafty with their business* and start applying some principles of investment and asset-building. Or unless their work is so fabulous that they can become famous: In which case my advice would be "Do it big, charge big bucks, and learn how to *present* your work effectively."

One thing that very often separates a successful artist from one less so is their ability to talk about their work. Of course the work must be good, but being able to talk about it in such a way that can captivate the imagination of the viewer, is a key part of the

presentation. And presentation is everything!

Some principles of asset-building that apply here: Franchising; employing and training staff; owning property; creating intellectual property (e.g. perhaps tutorials which can be sold online, printed or recorded media); renting out work space; building a client / prospect database and *marketing effectively* to them. Another possibility is making the transition to *designer* and having manufacturing outsourced.

There are other "spins" which can be put on art in order to generate success. You've got to get clever these days - and there are always some fascinating *guerrilla marketing moves* being made! A classic example in modern times is the publicity stunt. Think Damien Hurst, Banksy, David Best, the KLF. These artists have mastered the art of the publicity stunt and have used it to their advantage with incredible effect.

Many artists will eschew sensationalism as being "bad". However, in my view it is only bad if your work is bad. Do good work, and find innovative ways to draw attention to it.

My final word on this: Support your local artisans and invest in their masterworks!

### Chapter #17 - THE WOULD-BE ARTISTE

"Glory is fleeting, but obscurity is forever" -- Napoleon

Music, dance, theater, television, movies: Showbiz!! Ah, the lights, the action... *the glory!* Alas, I've been there. Yup, this was me.

There are opportunities in showbiz to make fabulous amounts of money while you sleep - and yes, hordes of wannabes are drawn like moths to a flame by the promises of easy money, fame and glory. However, there is possibly no other field apart from gambling in which greater amounts of **delusion** takes place. *Artistes* are notorious for being spectacularly misguided around their industry... with so many thinking that they are going to be stars. It's sad really - many even achieve a few moments of minor glory, but most inevitably shuffle back to ordinary jobs and ordinary lives eventually.

As for hit albums - it is incredible how many musicians there are out there, still trying to make that album that will *take off* and achieve great sales. I am sorry, but you might as well play the lottery. Why? Because several factors unfortunately stand in your way. 1) Less people buy CDs these days - and many think "Why buy music when I can copy it for free?" At the end of 2009, **recorded music revenues** were at less than half of what they were at the start of the decade. Not only this but there are more recording musicians than ever – as computer technology has put the ability to make an album within reach of the majority. In short, the *curve* has collapsed. 2) How many *hit albums* are out there, in comparison to how many *albums* are out there? As the saying goes, "Statistically, it is not likely to be you." 3) Alfred Brendel, the famous concert pianist, once said "Most young musicians have not learned to hear themselves correctly". One of the classic attributes of the *wannabe artiste* as opposed to the *true artiste*, is that they might not be quite as good as they think they are...

All is not lost however - and I do not wish to deride Artistes: For I myself have had my own *crash-and-burn* career in the music world!! There are always careers available in this field. It is just incredibly competitive. You really do need to be exceptionally talented / skilled / good looking / or preferably, all of the above. It is all about presentation once again.

So if you have the misfortune to be involved in showbiz, and you want to *make it*; see a psychiatrist. I'm joking. Mostly. But following these rules might help:

#### Alex Newman's "Rules Of Showbiz"

1) Understand fully the principles of leverage and competitive advantage.

- 2) Make a serious study of the law and business aspects of your trade. You need to know how royalties work, how the live entertainment industry works, and how the various contracts and deals work.
- 3) It's work, not play. Work hard at your art. The real pros don't fool around. They are too busy practising to party. Virtuosic skills, for all their merits and flaws - whether these are in music, dance, song writing, singing or speech, are still a key element in success. You must be noticeably better than the competition otherwise you will not stand much chance. Why would anyone want to see you if there's someone better they can see? Why will people buy your album if another one is better? What have you got that others haven't? This requires huge dedication and mental discipline. If your field is music, study composition and harmony in addition to practising your instrument with great focus. And don't limit your studies to one genre. This includes vocalists! Your voice is an instrument, and requires enormous amounts of training. There are two kinds of singers: Those who want to be singers and those who are singers. If it is theater: Train your voice with both elocution and singing; learn as many dance steps as you can, etc. You get the picture. And with study, drink from the source! Study the work of the Greats - and also in other artistic fields to your own. Thus if you are a musician, in addition to studying the lives and work of Liszt, Beethoven, Paganini, Art Tatum, Radiohead; study Leonardo Da Vinci and so on. And always work under a great teacher: Almost all the great musicians were taught by great musicians.
- **4) Get a good team.** You may be a solo artist, but you cannot do it alone. Find a good legal representative, manager and agent, producer, sound engineer, etc.: Even if you are the *star player* you cannot do it without a full team.
- 5) Intellectual property is one of your best assets. Understand how to exploit effectively that marvellous asset your intellectual property and retain publishing rights. Licensing is the magic word and one of the critical revenue streams. Check out <u>Kohn On Music Licensing</u> for what many believe to be the ultimate quide.
- 6) Create a chemical reaction. If you are an artist seeking worldly successes, your goal is to create an intense *chemical reaction* in your audience. When you really get it right, people will freak out as if you just levitated in front of them. You won't just get a few, or even a decent amount of compliments and flattery, you will get hysteria. People will start to go insane around you. If people are not going insane around you, your work is not good enough either that or you are not good looking enough, or you have the wrong PR agent. Don't try to make people go insane with trick antics; concentrate on improving your work. We're talking about making money while you sleep here not just making a few

friends or a few hundred bucks every weekend gigging. You can pretty much follow the rule that success will either be runaway or will not amount to all that much. You will know when you have done something amazing, because instead of having to push your work like a rock to the top of a mountain, you just drop it in to the field "plop" and everyone goes crazy. Is everyone going crazy when they hear / see your work? This is the bar of quality you need to set. And a great part of this is that magic factor so hard to describe, yet so easy to feel when someone has it: Presence.

- 7) Look your best at all times when appearing in public. Work on your look: Keep a giant portfolio of pictures of models, bands and the fabulously attired it will give you ideas. Even if you resent the fact that people buy records based partly on what the musician looks like, you are still subject to the rules of the game. So play it and dress for success! See if you can master that elusive rock-star combination of nonchalantly understated and completely over-the-top at the same time...
- 8) Carry promotional materials on your person at all times and be proactive about giving them away! Even if it is just a simple flyer telling people about the free tracks they can download from your web site. Your job is to build a following.
- 9) Be immune to flattery. If you start to become successful, you will be staggered by the amount of flattery given to you by those who will have need of you (and by the assumptions projected onto you by those who have never even met you). Adulation is a heady drug, one of the very worst, and you must be immune to it. Rely on only a few trusted friends, those who are in a training position, and your own careful and honest self-observation, to give you perspective as to the quality of your work. Flattery has the damaging effect of warping a weak or insecure person's self-perspective. The worst thing that can possibly happen is that you start to believe the things people are saying about you. Often they will be saying it because they want something: and this thing is typically a taste of your world.
- 10) Pay close attention to your health. Touring can destroy you in a short time. Don't do drugs or alcohol. And if you think these things improve your performance, think on this: If you can't do it without them, you're screwed. If you are actually serious and want to make it to a better quality of life, you'll need to be disciplined on this stuff. A good look at <u>Nikki Sixx's Heroin Diaries</u> ought to be enough to put you off.
- **11) Try not to become jaded or cynical.** Things might happen that trigger jadedness. Showbiz is a roller coaster ride.
- 12) Do not underestimate the importance of PR. Another thing to bear in mind

is Picasso's quote "The majority judges art in relation to its success". This principle has elsewhere been called "cumulative advantage". It has been demonstrated that many people buy things because other people are buying them. People do not usually form their opinions in a vacuum - they form them in consideration of what others around them are saying and doing. Also, people in the general public often simply want to be part of "the buzz" - and so will go to shows that everyone else is going to. In the rock 'n' roll biz this principle has been used in marketing in some interesting ways. I once heard a story along the lines that a certain group immediately bought enough copies of their record to give it a high chart placing. The fact of having a high chart placing itself generated radio play and publicity - and thus further sales which more than offset the initial outlay.

I have no idea whether this story is actually true: And I have a feeling that since the advent of the bar code it would not be possible any more. But the *principle* of cumulative advantage is used all the time in modern PR. Getting a video into the "most viewed" section of a major video upload site will generate an enormous number of extra plays.

13) Always be polite, courteous, gracious and thankful – impeccable. Remember – these are "star qualities". Always be kind to the people who are working for you and show them gratitude. People remember – and people talk. And as the saying goes, always be good to people on your way up the ladder, because you'll be meeting them again on the way down...

#### Summary:

Having said all this, the arts can be an immensely fulfilling field to be involved in. If you can navigate the deluded fools, the "Hollywood attitude" and the hucksters. You might not want to make it big and might be content just to make some good art, connect with people and make money while you sleep from a catalogue of good quality work - and there is nothing finer. The feeling one has when one's work has genuinely uplifted someone's soul is pretty unbeatable, really. There can be intensely moving moments during performance when *it all lines up* and that magical, ecstatic chemical reaction happens.

It's important to be really clear about what you really want out of it. Try to separate your worldly ambitions from your artistic ones and get clear about what your goals really are.

And finally, be prepared for the fact that however famous you might become, there is usually a rise.... and a fall. Often the very best artists are only recognized as such, after their lifetimes. This phenomenon is still true.

#### **Further reading:**

### http://cdbaby.net/tips

### PART #4 THE METHODS:

"A wise man ought always to follow the paths beaten by great men, and to imitate those who have been supreme, so that if his ability does not equal theirs, at least it will savour of it." -- Machiavelli, "The Prince"

"Knowing and doing what everybody else does is not a competitive advantage." --**Hamlet Batista** 

"The model is not to be copied, but to be realized." -- Robert Henri

#### **INTRODUCTION TO PART 4**

CHAPTER 18 - THE MERCHANT OR ARBITRAGEUR
CHAPTER 19 - THE COLLECTOR OR TREASURE HUNTER
CHAPTER 20 - THE RENOVATOR
CHAPTER 21 - THE TYCOON
CHAPTER 22 - THE RENTAL HOUSE
CHAPTER 23 - THE CONSOLIDATOR
CHAPTER 24 - THE MOGUL
CHAPTER 25 - THE PUBLISHER
CHAPTER 26 - THE BUSINESS CREATOR
CHAPTER 27 - THE INVESTOR
CHAPTER 28 - THE SPECULATOR

(NOTE – **The Internet** and **Automated Processes** are also methods of making money while you sleep – but these two are so important that each has been given their own complete section: Parts #5 and #6)

#### **INTRODUCTION TO PART 4**

And so - at last - we come to a list of actual, existing methods which might be used to make money while you sleep. To those of you who have read all the way to this point - thanks for hanging in there! I hope you will soon see why I chose this order for the book: the material in Parts #1 - #3 is in one sense a primer and a foundation for the actual methods — which now follow in Parts #4 - #6. The first half of the book was theoretical, the second half is more practical.

The information in this section is designed to give you enough of an idea to decide which fields might be "your thing". If you are going to embark seriously on any of these ventures I recommend that you do as much further reading as you can. I have included a good number of links to get you started.

As an overall strategy, in might be good to pick a few areas which are of the greatest interest to you, and develop a few asset streams simultaneously. Alternatively, you could choose to move in phases - for example developing internet revenue and then investing this in property, a business and some commodity stocks. It's up to you - and will depend on your skills and inclinations.

The ideas in Part #4 could also be seen as *attributes*, qualities, tactics or *aspects of business* which could all be rolled into one person or enterprise.

#### The model

I chose the three brilliant quotes on *methods* at the head of Part #4 for specific reason: To illustrate and solve the apparent paradox of needing to copy the best ideas and needing to be original.

If Machiavelli is to be believed, we can achieve a measure of success merely by examining the paths of those who are making money in their sleep, and replicating their actions (without stealing their copyrights or protected intellectual property, of course!)

But Batista rightly states that you will not reach the top merely by copying others. What should we do then? Ignore what has gone before?

Both Machiavelli and Batista make good, if opposing points. But I believe Henri has the real answer. The secret is to *understand* the model of success - and then rather than trying either to copy or to ignore it, apply your perfect understanding of the principles of the existing models to your own work and your own unique situation.

Usually you must understand existing models before you can go beyond them. Try to see each of *the methods* of Part #4 as a possible strategy or *string to your bow* - rather than being consumed wholly by one particular way of doing things. To be original, build first a pyramid out of existing knowledge, and then place your masterwork at the capstone: Summing up what has gone before before aiming it in a new direction.

You often need to be an expert in existing forms before you can chart the unknown.

There are of course exceptions - iconoclastic ventures which shatter and sweep away what has gone before with something radically new.

I will present existing methods and as many other ideas and possibilities as I can think

| of. It will then be up to you to take from it what you will and build your own Castle either that or make paper aeroplanes from my ideas and go your own way |
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## Chapter 18 - THE MERCHANT OR ARBITRAGEUR

### Concept: Acquire something and sell it for more money (short term hold)

BUYING AND SELLING: ARBITRAGE OTHER FORMS OF ARBITRAGE INTERNET ARBITRAGE EBAY ETHNIC TRADE

#### **BUYING AND SELLING: ARBITRAGE**

The classic definition of an *arbitrageur* is one who is able to exploit differences in price or value between different markets. So for example, if you can buy a product for \$5 in one place and sell it immediately for \$10 in another - this is *Arbitrage*.

As a merchant, you will need to find products which have the highest *profit potential*. Therefore seek items which are under market value or which have a greater value in another market, that have high demand, and can be sold immediately.

#### Ask yourself the following:

What is the profit margin? How great is the demand?

How reliable is the demand?

How great is the supply?

How reliable is the supply?

How much competition is there?

Does the competition have advantages that I cannot compete with? (i.e. better distribution deals, location, bulk purchasing power)

What are my shipping costs?

What are my advertising costs?

What are the economies of scale?

There is a well-known saying "The money is made on the buy, not the sell" - and this applies here. Very often the maximum selling price of an item will be dictated more by

the market than by the arbitrageur: The buying price is where the money is made.

If you are going to make money *while you sleep* in this field, e-commerce - in particular eBay - is an obvious place to start. However there are other possibilities - such as buying items wholesale and selling them retail; and purchasing items from real-world auctions, notably government, repossessed property or police auctions. You might also set up a buying and selling business utilizing your capital and your storage facilities, employing others to perform specific aspects of the work. There are always ways to create businesses and get work done, if you are creative.

E-commerce typically means either selling products from your own web site, or creating a presence on an e-commerce network. eBay is the obvious example – but there are a number of others, such as the fascinating <a href="https://www.etsy.com">www.etsy.com</a> for people who make their own products.

#### OTHER FORMS OF ARBITRAGE

Although arbitrage, typically, is defined as the means to create profit through differences in prices of goods, there are other ways to look at - and profit from - differences in price or value.

An amazing form of arbitrage I was unaware of until recently, is what is called **Barter Arbitrage.** Described by **Vegas Vince** as "The most overlooked, untapped opportunity on Earth", it is a way to trade items for what might potentially be huge profits.

Barter is the oldest form of transaction on Earth. In its most simple form, it is about exchanging things you have for things you want. It was the "old way", before money came along.

However, barter is coming back with a bang. Now that the internet has enabled massive interconnectivity, there are web sites such as **ITEX** which connect businesses who are looking to exchange services and save money.

The fascinating thing about Vegas Vince's system is that it is not just about "You give me this and I'll give you that." On his <u>sales page</u>, Vince explains what is essentially an *indirect system*. A way to be the one connecting several different parties in a three-or-more way switch - that enables the arbitrageur to put together some really big deals, without involving personal assets, in ways that benefit all parties.

I haven't tried his system but it seems amazing.

Another classic arbitrage example is **betting arbitrage**. This exploits the differences in odds given by different bookmakers in order to place bets – typically on sporting

events – which guarantee a win.

Another fascinating concept which a friend and I recently hit upon is the idea of "scarcity arbitrage". This, instead of simply examining differences in price between goods in different markets, investigates the whole notion from a different angle: That certain items are very common or easily acquired in some locations and rare in others. This creates a natural flow of *supply and demand*.

This concept can be spun in a million different ways – and while many may think that all the best of such opportunities will already have been exploited in the modern world, there are surprising untapped avenues. All you have to do is think of them first, or perhaps have a way to extract, transport of deliver the items which improves in some way on the existing model. Can you think of anything which is extremely common and easy to obtain where you are – and which might be rare and highly desirable in another place?

A possible example to investigate might be that of photographs of certain objects. It may be easy for one person to create *stock images* of certain things due to their location – which for many others would be difficult or impossible to obtain. More on stock photography in Chapter 25 – Intellectual Property.

#### **INTERNET ARBITRAGE or "CLICK ARBITRAGE"**

Another form of *arbitrage* is that of buying and selling internet traffic. For example, If I have ads on a web site that earn me ten cents per click; and I am paying one cent per click for visitors (i.e. through a Pay-Per-Click campaign) – then if more than one in ten of my visitors clicks an ad, I will make profit.

In recent times there has been great exploitation of this concept – in particular by people creating web sites for the *sole purpose of displaying ads*, with little or no content of any actual value. For this reason, internet arbitrage has become controversial – and the Terms of Service of certain internet advertisement services aim specifically to exclude this kind of behaviour.

However, there is often a *grey area* in click arbitrage – with many web sites created with information designed to attract viewers and advertisements designed to blend in with the content in order to increase clicks.

In addition to the obvious considerations of Terms of Service, the real question to consider is whether such a web site is *adding value* to the lives of its users. Web sites which buy traffic, provide useful information which both assists and *pre-sells* the customer, and then monetize that traffic with advertising - are still in a sense performing arbitrage, but such a site has an entirely different character and a beneficial function. In this case, the arbitrage model has in one sense shifted into one

that allows people to profit naturally from the creation of high-quality, content rich web sites – a desirable goal all round.

Much more on this in the internet section – Part #5.

#### **EBAY**

As of March 31st 2008, eBay <u>ruled</u> that digitally downloadable products can no longer be sold through the standard eBay auction system. This move by eBay was designed to protect the integrity of the eBay feedback mechanism - but had great implications for people selling digital products online. Many people were using eBay to sell eBooks at minimal cost - often in bundles for a dollar or maybe less - with the result that the market became heavily diluted. This meant that for many, the opportunity eBay presented for *viral PDF marketing* has been eliminated; but it was good news for those selling eBooks on their own web sites. Ebay sellers can still sell eBooks using the *classified ads* format.

eBay is probably the best way to go for someone starting out in the field of e-commerce. You avoid all the complexities involved in setting up a retail premises. There are millions of shoppers - and it's easy to get targeted traffic to your item simply by listing it with a good listing title! You can list an item as store inventory and sell multiple instances of it while you sleep! It's a true goldmine of opportunity.

If you are looking to sell large numbers of items on eBay, you will typically need either:

- a) Products that you have created yourself.
- b) Items that can be bought locally below eBay market value (i.e. at thrift stores, Wal-Mart, auctions etc).
- c) Bulk purchase (possibly from eBay, another web site or direct from a distributor).

If you are selling volume on eBay or your own e-commerce web site, some key factors are: To find the true wholesale distribution sources (not just the resellers) or even a direct relationship with the manufacturers (this will be optimum although can be difficult to obtain); have a keen grasp of what items are "hot"; exploit the economies of scale; undercut the price of your competition; be able to store the stuff in perfect condition; be able to sell it before either the demand goes "cold", the supply gets saturated or the competition undercuts your bottom line; keep your shipping costs low.

It will of course be beneficial to sell a type of product concerning which you already have some expertise; you will need to be able to describe it accurately and answer any customer questions.

This is also the kind of business where efficiency and a head for details will be important.

Being someone who wishes to make money while they sleep, the name of the game will be to get as much of the process automated as possible. Ebay has its own suite of auction automation tools available at <a href="http://pages.ebay.com/sell/automation.html">http://pages.ebay.com/sell/automation.html</a> - and there are a number of additional software tools available which are excellent - such as <a href="http://www.vendio.com">http://www.vendio.com</a>

Also if you are just starting out, there are many free help guides available on eBay to help you learn the ropes – both those <u>created by eBay</u> and ones that are <u>user submitted</u>. I highly recommend reading a good number of these.

A crucial part of buying in bulk is to know how much you will sell in a given time. You can use eBay itself for preliminary market research: Using their "advanced search" feature you can look at "completed listings" and get a good idea of how many of a certain type of item are selling, and at what price. By looking at completed listings you can also investigate which items have a consistently high rate of customer satisfaction / positive feedback: You don't want to get stuck with "problem items" that typically have a high number of returns or complaints. When investigating a new market: Buy and sell a small amount of the product. This will give you something of a realistic picture of the marketplace for that item. This is essential before going big. Don't worry too much if your small-time market research experiment didn't make you any money: If it made you wiser, then you are one big step closer to being wealthier!

If you buy ten million brand-name AA batteries, and the expiry date is four years from now, you better be selling over 7,000 per day or you're going to lose an awfully large amount of money. Also you have to bear in mind that your competition will try to undercut you. What happens to your rate of sale when you aren't the cheapest any more? Or when better products come along? *Mobility* is important - many brilliant niches will become bandwagons and at saturation time you have to be able to get out fast. Watch the curve. Observe supply and demand. Make notes of what things are in hot demand, and make a game out of seeing if you can predict what will happen to that demand over the course of time. And of course avidly seek areas where demand outstrips supply - and move in... decisively, but without rashness, uncontrolled gambling or going out of your depth.

If you are looking at eBay wholesale sources, do some background research to find the best ones. There are many different suppliers; prices and logistics can vary enormously. A good starter tip for investigating wholesale sources is to find out what quantity they can supply. Anyone can supply things by the box; this doesn't necessarily make someone a wholesale source. If they can ship by the pallet load or by the truck load, you're further up the chain. And if it's by container load straight from the ship or from the factory itself, you're at the highest level! There is typically a "hierarchy of authority" from the manufacturer downwards - and often it is difficult to "break in" as retailers and distributors may wish to control the supply of a product. Direct relationships with key persons inside the company will also help.

If you wish to trade internationally, make sure you understand the various laws specific countries have about importing etc. International shipping can be a giant headache if you do not have your act totally together. You may also need special licenses to do certain things at high level. Furthermore, certain countries restrict the movement of certain items - I know this seems like stating the obvious but actually it is not: Some quite ordinary products have import restrictions in certain countries - so if you are selling on eBay for example, you need to be sure about this before you state which countries you will ship to. I nearly came unstuck this way once, trying to sell an ordinary piece of music equipment; fortunately I found out before listing my item that a European country forbade the import of certain common electronic goods! I was very surprised. Another example: Shipping jewellery to Australia. So know the law here, and follow it to the letter. You can often get the info you need on eBay itself. If in doubt, seek professional legal / business advice.

You can buy packaging and shipping materials in bulk on eBay. Also, you might start collecting envelopes, bubble wrap and cardboard boxes.... a simple sticky label and you can re-address it. Saves you money, and reusing packaging helps the environment.

Final tips about eBay: Your feedback score is essential to your success. If possible, be on good terms with all customers. It is worth going that little bit further to ensure satisfaction - with promptness, politeness, packing items well, etc. I have a 100% feedback record over many, many transactions and will do everything possible to protect my feedback. It is worth it.

I used to do a fair amount of eBay trading - but have grown somewhat tired of eBay of late: The biggest *disadvantage* of eBay that I can think of is the sheer amount of logistics involved - shipping, dealing with customers, etc; this work can be incredibly time-consuming. However, much of this work can be streamlined and automated if you are doing eBay on a large scale. And if your operation is big enough you can employ someone to handle product fulfillment.

for those wishing to specialize in eBay, I have written an additional *Free Guide To Ebay* - you can find this at <a href="http://www.money-while-you-sleep.biz/learn.html">http://www.money-while-you-sleep.biz/learn.html</a>

A fascinating, highly advanced article explaining some of the complexities of e-commerce, and the difficulties involved in "breaking in to the big boys club" selling the most popular consumer brands: <a href="www.bluehatseo.com/from-affiliate-to-e-commerce-mogul-the-real-secrets-to-e-commerce/">www.bluehatseo.com/from-affiliate-to-e-commerce/</a>

#### "ETHNIC" TRADE

Another market that has become hugely popular in recent years is that of buying arts,

crafts, jewellery and clothing from "exotic" countries – perhaps while travelling abroad - and taking advantage of the sometimes huge price differences between prices in countries such as India, Bali, Africa etc. and the western world. The quality of some of this merchandise has increased dramatically of late – some fantastic quality clothing is coming out of Bali, for example.

On a personal note, I believe it's important to pursue "ethnic" trade in a manner which is ethically responsible. A great part of this is simply to take an active interest in "where things come from", to learn, and to make good choices. Certain countries may for example not have the environmental and worker protections that we take for granted in developed nations. A great place to start learning about this is to do a Google search on the term "fair trade".

#### **Summary:**

Arbitrage, ultimately, is a *concept* rather than a method. It can be applied to almost anything of value. All over the world, there are things people have that they do not want, or want to get rid of cheaply – and there are people in other places who want those things. The arbitrageur profits by joining the dots.

## Chapter 19 - THE COLLECTOR or TREASURE HUNTER

# Concept: Acquire something valuable, look after it for a period of time, and then sell it for more money (long term hold)

# INTRO DETERIORATION OBSOLESCENCE - AND THE REBOUND THE EARLY WORKS OF FUTURE STARS

#### **INTRO**

An article stated recently that approximately 40% of the US population *collects* something. Sometimes this is done just for the joy of doing so - but very often there is the added incentive of increased value over time.

The internet has greatly accelerated the world of collecting - as collectors and specialists are much more readily able to locate what they are looking for, and to network with other collectors.

When collecting for profit, the game is to find things that will appreciate in value over time, and hold on to them. Typically this will require great expertise, purchasing power and a knowledge of the market.

Some examples of possible investments of this type might be: Collections of a *set* of something, art, rare and vintage items, musical instruments, wine, books, coins, classic cars, furniture, jewelry, special equipment.

An example I have already mentioned is <u>Steinway's claim</u> that a Steinway piano rises in value faster than inflation, and faster than many other types of asset.

This kind of investing is not for the impatient. Typically you are laying up for your future; or maybe to create a kind of trust or asset which will pass to your children, having acquired great value in the meantime. Time is really the key factor.

Some of the other main factors which increase the value of a collection are scarcity, beauty, condition, initial item quality / purchase price, having a signed copy or one with a personal note and having a complete or uncommonly extensive set.

Some of the risks associated with collecting are deterioration and obsolescence.

#### DETERIORATION

Make sure you have the knowledge and the resources to maintain your collector's items in excellent condition. Vintage items very often require specific care and might be ruined by improper cleaning or handling. For example, old coins are damaged by most cleaning methods and are most often considered more valuable when not cleaned at all.

Your ability to maintain something in excellent condition is a key factor in your return in the future. Collector's items which may not command a high price in average condition, may command a far greater price in uncommonly good or pristine condition. The person who is best able to preserve something is the one who will be ahead of the pack in years to come when their investment is in better condition than everyone else's. So if it is books for example, have good shelving in a place that is guaranteed to stay dry and free from insects. You might learn about methods of covering these books to further preserve their condition, or study the methods that are used by museums and the great collections of antiquity to preserve priceless treasures in the best condition.

#### **OBSOLESCENCE - AND THE REBOUND**

Watch out for things which may become obsolete: This is a risk you face with collecting. For example, now that there are flat screens, who wants a *cathode ray tube* television set? Nobody. However, in a hundred years, a perfectly preserved vintage television set might possibly again be quite valuable as it will by then have passed from *junk* to *antique* status. When things are ubiquitous and have no use, they are junk. After they have been junk for many years and everyone discards them, they become scarce - and therefore valuable again.

Sometimes the time it takes for things to reach *antique* status might be as little as 25 years. And classic example of this from recent times are the electronic musical instruments of the 1970's - which are already in high demand as vintage instruments. This is partly because they are still useful and have an "authentic" sound reminiscent of a certain era.

Be aware of the "life cycle of stuff", and fnd something that you know will be scarce in years to come.

A friend of mine had signed first editions of books by a famous writer who was a friend of his father's. He held on to them for almost fifty years. These books eventually sold for many thousands of dollars.

Perhaps it would be good to have a private collection of a certain thing as a "back burner" project - something that you gradually add to over the years, something that gives you joy to own in and of itself.

Another thing to bear in mind is that emotional attachment to a treasure may be detrimental to ability to make the best business decisions...

#### THE EARLY WORKS OF FUTURE STARS

Another idea for collectors is to seek out artworks from up-and-coming talents who appear to be *destined for stardom*. I can think of a few examples from friends of mine, who have collected early works of artists who then went on to become incredibly successful. Such works, originally purchased cheaply or given as gifts, can go on to fetch large sums.

It can also be easier to obtain a lavishly signed edition of a work from someone who is "not famous yet". Also, it may be affordable to have works commissioned from artists who are not famous yet.

Obviously, the challenge here is to "pick the winners" - not everyone who has talent goes on to achieve great success. But very often, future stars have a certain "aura" around them that can be sensed. It's almost as if they are too brilliant to remain obscure – and that such a thing would be against the laws of physics.

Talent is not the only factor of course – a high degree of motivation and prolific output are usually prime requisites.

Another tip is that a famous artist may be interested in buying back their early works - and I recently heard a tale of such a painting, sold back to its creator for \$30,000.

## **Chapter 20 - THE RENOVATOR**

## Concept: Acquire something, improve it and then sell it for more money

# INTRO PROPERTY RENOVATION ELECTRONICS

#### **INTRO**

Not only is there currently more *junk* than there ever has been at any point in history, but there are more ways to find buyers (classified ads, eBay, Craigslist) than ever before, too.

Furthermore, in times of economic pressure, people are very often looking to buy used goods to save money. Plus, there is quite a fashion for *vintage* items.

In short, there are countless opportunities nowadays to renovate and sell things.

Typical examples of renovations might be to real estate, antiques or old cars.

Such work will of course require skilled expertise... either yours or someone else's. In other words, you may be able to run the business and employ a technician to perform the work. You may be able to buy items cheaply, have them restored or customized by experts and sell them for a high price.

Certain people have a knack of finding the right bargains. A good part of this is simply having your eyes peeled: Knowing where to look; being observant; knowing the value of things or details such as which items are scarce; and having the patient dedication to sift through large numbers of items for the gems.

Another field that has come into play in recent times is clothing customization and modification. Some people are buying *the right old clothes* for nickels and dimes at thrift stores, cleaning them up and then selling them for high prices as vintage items on eBay. Others will hunt through old clothes for quality fabrics, which can then be used to make entirely new garments.

#### PROPERTY RENOVATION

There is great profit potential in buying run-down property cheaply, renovating it and selling it. Especially if you can do some of the work yourself – and *if* the property is in a location and time period in which prices are rising; I am reliably informed that the current market climate may not be as favorable for property renovation as it has been in the past. But *home make-overs* are perennially fashionable - and so there are a huge number of resources available.

Buying cheap property can be a way to "get on the ladder" and gain control of an asset that will appreciate in value.

Property renovation can however be a complex operation. A few things to bear in mind:

- 1) Certain buildings particularly those with historic or other significance may have **strict codes** as to how they can be modified: and in some countries such work may require special permission or that restoration work must be done under legal guidelines or only by specially qualified persons. This work can be expensive.
- 2 ) Certain building improvements and modifications may have legal requirements such as planning permission.
- 3) Repairs to buildings might cost more than you think. Damage might be more extensive than at first appears it is essential to know what you are buying and to obtain work estimates from tradespersons prior to purchase.
- 4 ) You could save extra money by for example living on site in an RV (if this is permitted in your location) which renovation work is being undertaken.
- 5) Property renovation can possibly be dangerous work if not undertaken correctly.

If you are looking more seriously at larger-scale property development, things start to become more complex. See Chapter 24 for more on this.

## **Chapter 21 - THE TYCOON**

# Concept: Buy and sell businesses. Mergers and acquisitions.

The word Tycoon originally derives from a Japanese word meaning "Great Lord". Nowadays in the West, the word generally means one who has reached a commanding position in a business empire.

Several hundred thousand businesses change hands every year in the USA - and the current trend seems to be booming. This is a highly complex field - and one in which it is essential to know what you are doing: You cannot afford to make mistakes, they could cost a fortune! This subject is very involved - and you will certainly need great expertise, financial advice and a good commercial law attorney.

This subject also tends to veer a little away from making money while you sleep, in that mergers and acquisitions do take a huge amount of work - and also will require serious study and professional training in order to develop the requisite expertise. However, given that the value of a business might possibly *go up enormously overnight* under new management or asset distribution, I thought it would be worthwhile putting in a chapter on the subject.

Purchase and sale of businesses is typically structured either as a *merger* or an *acquisition*. If it is an acquisition, this will either take the form of an *asset purchase* (purchasing the assets of a company, free of liabilities) or a *stock purchase*. In the case of a stock purchase, the sale can be more complex as the purchaser is also acquiring the *liabilities* of a company - however with a stock purchase it is often possible for the business to change hands more seamlessly (for example with less disruption to employees).

You might for example acquire the business of a competitor or one who is a supplier of something required by another of your businesses. Buying a *related* business may allow for expansion, greater productivity and decreased overheads. Another reason to purchase a company might be as a way to commence operations in a new field in a manner that has already proven profitability - without having to take the time, expense and risk involved in starting at the ground level.

Another good reason for the purchase of a business may be that it is undervalued - although this is of course a complex science to ascertain. There is almost certainly more to a business than meets the eye - and you will need to know how to ask the right questions and get a clear picture of what's really going on behind the scenes.

Professional advice is very important here.

A *merger* is a fusion of two businesses - often done to cut overheads and benefit from the economies of scale.

If you are buying a business - there might be many reasons why someone wants to sell. Among the best reasons for selling might be that a long-standing business owner is retiring (*especially* if they are retiring early due to profits from the business!). But not all of the reasons for sale are good news for you – and you will need to know what you are getting yourself into.

Of critical importance is the valuation of a company. There are many complex formulae devised to indicate the value of a business - such as EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization.") However, such formulae can often be misleading when assessing a company's cash flow and ability to generate revenue - and so should be looked at in conjunction with many other factors.

In general, a simplified formula for the value of a business might be "The value of it's current assets plus the value of its estimated future earnings."

#### Asset stripping.

When a company's market value falls below the value of its business assets - such as its property, stock, patents and equipment - it is possible to purchase the company and sell off the assets for profit. In the case of undervalued companies, the individual assets of the company may be of greater value when sold separately. Another case in which asset stripping may be profitable is if the company is a merger of several businesses which may generate a profit if split and sold as separate business entities.

Asset stripping may simply be aimed at the more efficient use of assets, however there is a more ruthless form, also known as *corporate raiding*, which is often frowned upon - because tycoons who purchase companies for the value of their assets, with an intent to liquidate, may have little regard (for example) for the welfare of the employees working for the company, or for other "people factors". Corporate raiding because famous in the latter part of the 20<sup>th</sup> century but has come under serious fire in recent years and is less prevalent nowadays.

#### A good tycoon...

... will have a knack for finding the right businesses and *turning them around* into major profitability before selling them again.

Overall, this is a major topic and beyond the scope of this book to investigate in depth. There is much further reading on this subject online. Here are a few further links to start you off:

http://en.wikipedia.org/wiki/Private\_equity

http://goliath.ecnext.com/coms2/gi\_0199-5289513/How-to-purchase-an-existing.html

http://www.businessbookpress.com/articles/article144.htm

http://www.bytestart.co.uk/content/24/24\_6/top-tips-for-companies-pl.shtml

http://wbjournal.com/j/index.php?option=com\_content&task=view&id=1574

http://corp.bankofamerica.com/public/public.portal?\_pd\_page\_label=products/a

bf/capeyes/archive\_index&dcCapEyes=indCE&id=349

## **Chapter 22 - THE RENTAL HOUSE**

### Concept: Acquire something and rent it out

Equipment and utilities, property, luxury items, everyday items, space....

#### **INTRO**

This is an interesting field, another one I have been involved in. A classic example of things you own *working for you*! Renting is one of *the* classic ways to earn money while you sleep. People are always looking to *rent stuff* - whether it is housing, cars, luxury items, plant utilities, machinery, storage, office space, costumes, special event supplies, equipment, tools. People rent because they cannot afford or do not wish to own an item but require the use of it - usually on a temporary basis.

#### How long will it take to pay for itself?

I found that some items I have rented out in the past "pay for themselves" many times over whereas others, quality items nonetheless, have barely earned me any money at all. Why is this? It could be for a number of reasons. Maybe the usefulness or brand of the item, although known to me, was not generally appreciated. Maybe advertising was not reaching the right target group.

I have often worked for sound rental companies. We put sound systems into venues for events, ran the show and then when everyone had gone home, packed it away again. There was one item we needed to use every weekend which we did not own ourselves, and due to perpetual demand we sub-rented it many times over from someone we knew. We finally figured that we had *paid for* that item more quickly than we paid for the outlay on our own gear. Bingo!

If you are going into the rentals business, look for the things that *pay for themselves quickly*, are durable, easy to install, simple to operate, and popular - they are going to be your best earners. Often there are "industry standard" products and brands within rental supply fields - and it will be your business to know what these are. You want these products on your inventory - and you may find that it is good to see your role not necessarily as someone who typically creates a demand, but someone who fulfills an existing demand which has already been developed by the manufacturer's brand and advertising.

Often however, being a successful rental house means having a complete inventory. The fact that you "have everything" will often be an essential selling point.

If it is equipment you are renting, become an expert in the field. Make it something you are passionate about. And watch the market. Buy pro quality stuff that will last, that people will want to use, and rent it for the same price as the cheaper, nastier equipment that other people are using. Location, opening hours and ground support will also be deciding factors. Explain why your service is better. Learn as much as you can about the product - so that you can guard against obsolescence, also provide better customer service.

This can be a competitive field and depending on your theme you may be up against some bigger franchises. However you can often make friends with competitive companies by referring customers to them when you do not have the product that the client is seeking. If they start doing the same for you, you can possibly achieve an *alliance* which can be of great mutual benefit.

If you run a rental house, there's a certain amount of work to be done maintaining the inventory, business, advertising, insurance logistics etc... but once the stuff is away in the field, it is working for you: and if you have good staff, this might be a business which can create a good deal of automated income. Once your rental business is doing nicely, train a manager to run it for you; offer them incentives to grow the business - and then go do something else.

Often a good way to get ahead in this game is to use a "vertical" business trick. So for example, score extra points if the thing you are renting is something you yourself use for your own projects. For example, let's say you use music equipment or computers when you are working in the studio or office. But think about how many hours of the day this stuff sits there, not being used! While you sleep, it could be earning you *mucho* money. Why not turn your workspace into a rent-able studio, workshop or or office space and rent it out at a cheaper rate for the nightshift to trusted clients? Or on the days of the week you are not using it? If you can set up a system like this which will pay for the equipment you use for your own work, you are doing very well. You have basically just created a free workspace for yourself.

Another *vertical* example might be if you have a distribution deal - so you are both renting and selling a product. In this way, your rentals provide an ongoing opportunity to be paid to give product demonstrations! (See Chapter 23 for more on *vertical* business ideas.)

Rented stuff often takes an absolute pounding - depending on what it is you are renting out. People seldom treat rentals as well as they treat their own stuff: and often will rent something with the very intention of having something that is not theirs that they can *thrash*. Charge a refundable "cleaning deposit" or "damage deposit" as a way to encourage people to treat stuff nicely. It must be enough to provide incentive for people to take care of items and want to get them back to you looking good. The psychology of knowing they are going to lose money if they damage an item, works wonders for people's level of care! It is often good to dramatize the "damage

inspection" just a little – complete with clipboard and a serious air. At least make sure they know it's coming.

#### Rented property

This is a good one, as people will always rent property. There is always a demand for affordable housing. The secret is in getting good tenants. More on this in Chapter 24.

#### **Storage**

A known money-spinner for those who have done it successfully. Due to human nature as acquirers of ever expanding volumes of *stuff*, people will always need storage space. There is more stuff in the world than ever before – and so it seems logical that storage is a booming business. I have not investigated zoning requirements etc but I would imagine that plots of land that would not be suitable for many other purposes, might be suitable for a storage business. And the whole thing could be run using transportable installations – such as a mobile site office and shipping containers for the storage units.

Desirable factors include good security, 24 hour access, convenient location and long-term availability. Areas that are scheduled for development would seem to be likely candidates for new storage facilities.

#### Luxury items

There is always a market for renting luxury items. Things people might not be able to afford to own, but would love to have for the weekend - a sports car, tuxedo, concert grand piano or limo are classic examples.

#### Some items in an inventory will help sell other items

This is another form of the old concept of the *loss leader*. Often a store will sell a certain item without making a profit - or even at a loss... and advertise it heavily. This brings customers in to the store, who then buy other things while they are there. The same concept can be applied to renting, or services of other kinds. *Get them in the door* with a commonly used item at a bargain price - and then while they are there and you have their attention, you can explain in more detail all the other items and services that you can provide.

Also, being a *one-stop-shop* for all needs of a certain kind will develop positive reputation.

## **Chapter 23 - THE CONSOLIDATOR**

**Concept: Vertical marketing** 

Vertical marketing occurs when a company realizes that they can increase profits by owning other *related* business ventures. One of the most classic examples of this from history was William Randolph Hearst, the famously successful newspaper tycoon - who owned the forest and the paper mills in addition to the newspapers. Once he was moving more than a certain number of newspapers, it became cheaper to buy and run the paper mill than it would have been to buy the paper from elsewhere! By doing this, Hearst was able to cut expenses and maximize profits.

The opposite of this - horizontal marketing - is the formation of a strategic partnership or account with another company, as equals: One company does not own or control the other.

Note - there is another, slightly different definition of vertical marketing... which is to focus all your marketing efforts on one specific industry i.e. sports, food.

Vertical marketing is a very common business expansion strategy - and you may even have done it yourself without defining it as such! There are many, many possible spins on the *vertical* concept - and sensing vertical business opportunities is something you can develop a knack for: See if you can think of some. A simple example of a way to start might be for example, if you have a large amount of a certain product manufactured; at a certain point it becomes cheaper to manufacture it yourself. Of course, the down side of this is that you then need to learn a whole new field or develop a new team to run the new process... you might end up *juggling too much at once* so you need to manage your resources and be judicious about what you take on.

As a general principle, by controlling a *network*, as opposed to just one aspect of a network, you may be able to maximize revenue. Greater efficiency is possible, and you can *cut out middleman profits*. Another advantage in controlling a network is that you can be more aware and informed about everything that is going on in your production chain - from start to finish. There are often less people to deal with and therefore tighter control.

Vertical principles are very often applied to internet business. You might, for example have one web site which is getting very good traffic. You could use this to send an easy flood of traffic to one of your other web sites. And if you have a highly

successful web business, you can often capitalize on this by expanding your network of related sites.

There may be certain limitations to this - for example with certain search engine companies who are keen to try to prevent strategies designed to manipulate search engine rankings. But much internet business naturally expands vertically and this is ultimately unstoppable. Once you have a flow of targeted traffic, there are multiple possibilities for expansion based on further interests of your visitor demographic.

Google is a classic example of an internet company that has *expanded vertically*. Many of Google's other branches interlock seamlessly with the original search engine - and each one further develops *brand awareness* and maximizes the *reach and power of the network*.

More on this in Part #5.

Some more examples of vertical marketing:

If you find yourself shipping a lot of items locally, maybe expand your business into the area of transportation and deliveries. Owning your own fleet of vehicles not only might cut your shipping costs, but will enable you to ship further items or even rent the vehicles when they are not being used... more ways to make money while you sleep. The world is full of classic examples of this kind of business expansion and consolidation: Once you are printing more than a certain number of posters it becomes cheaper to buy the printing machine than it does to go to the copy-shop. Learn to analyze costs and see where the "crossover point" occurs. If it remains cheaper, more convenient, or leads to better results to outsource; do it. For often a specialist company will be able to produce better results than you can - by virtue of a lifetime's specialized experience and the best facilities money can buy. However, on other occasions doing things in-house will work better. Learning the difference and acting accordingly is the mark of a pro.

Vertical marketing can take place *upwards* (expanding into the area of supplies and services to your original company) or *downwards* (expanding into the area of outlets for your original company's products or services.)

Often, the larger a company becomes, the more opportunities for vertical marketing and vertical integration present themselves. If for example you only have one store location, it may be more cost-effective to have your supplies manufactured by others. However, if your franchise has expanded and you have twenty store locations, you might have reached the point where owning your own manufacturing facility would cut costs and increase profitability.

There are almost always ways to apply *vertical strategies* to your business. The creative possibilities here are potentially endless and expand with your resources.

## **Chapter 24 - THE MOGUL**

**Concept: Property** 

(Note - this chapter will discuss all levels of property acquisition from individual dwellings to larger scale property development.)

INTRO
PROPERTY DEVELOPMENT
LOCAL RESEARCH
LONG TERM VS SHORT TERM PROPERTY MARKET
IS OWNING PROPERTY BETTER THAN RENTING?
BUILDING YOUR OWN HOME
REDEFINING SIMPLICITY
SUMMARY

#### **INTRO**

Property acquisition is viewed by a great number of people as one of the classic ways to wealth. This is for good reason – many have made fortunes from increases in property prices.

There are many ways to create income from property but these essentially fall into two categories: Income from rent and income from sales.

A third factor worthy of consideration is that many people spend a great portion of their income on the acquisition of a home; and if a method can be found to *bypass* this expense, a very significant amount of funding may be liberated, which can be invested in other assets.

#### PROPERTY DEVELOPMENT

The meaning of the word *mogul* allegedly derives from the *Mughal Emperors* of India - who claimed to be of Mongolian descent; from the lineage of Genghis Khan. In modern use, a *Property Mogul* is one who has built up a large property empire.

Typically the gross income of a property mogul will increase with the number of properties that they *control*.

One of the great challenges in real estate is the risk associated with unpredictable cash flow. Expenses of purchase and renovations may be high; fees / interest

charges for borrowing the large sums needed to acquire several properties can easily mount up; and properties may take longer to sell than anticipated. A property developer will always need enough cash flow to avoid bankruptcy, but as a *property empire* increases in size, more purchasing power is available. There is a real need for *working capital management* - to balance the desire for aggressive purchasing against loan interest costs and expenses, and to keep finances under control.

Real estate is a highly trained and specialized field - but many people, by virtue of being home owners, inevitably get *on the ladder* in one way or another. So even if you have no major ambitions in this regard, it can still pay greatly to do some study and learn about the market.

There are many methods of leveraging income from property, including "flipping" (buying and selling quickly), rental, renovation or long term hold.

A method of property investment that has become popular in recent times is purchasing property at auction. Often, properties for sale at foreclosure auctions can be bought at under-market value. Once again, this is a case of the money being made "on the buy, not the sell."

Another example of real estate investment that has tremendous potential is business franchising: The founder of a world famous fast food chain once stated that he was not in the hamburger business, he was in the real estate business! And if you were to look at the **Forbes list of the world's wealthiest**, you will see several owners of hotel and retail chains. If a retail business can be made profitable in one city, chances are good that this can be replicated in many other cities - not only this but the economies of scale may further increase profit margins in a larger empire. This is essentially what many of the world's most successful retail and hotel chains have done - and a demonstrable model of profitability can be used to raise finance for further business property acquisition.

#### LOCAL RESEARCH

Before investing in property in a particular location, it is good to do some homework and learn some of the particulars of that area. A good place to start might be: <a href="https://www.city-data.com">www.city-data.com</a> - there is all sorts of interesting info here such as the median price of property in an area. On city-data.com there are also online forums where people discuss their experiences and opinions of a certain place. Bear in mind though, that often the opinions expressed in a forum are just that: Opinions. I have looked at some of these forums - and just as with online forums in general, people can be seen to disagree strongly about almost everything!

Be aware that factors outside of the property market itself - especially those relating to local employment - can affect the demand for property in that location. Another factor is the general trend in development or growth in that area. If an area is commencing

a phase of general redevelopment, great gains might be had by *getting in* at the right time.

Another research idea, often overlooked, is to befriend and chat to local people. This is too often not considered - but can easily be done by frequenting local businesses - cafes, restaurants, "mom and pop stores", etc. People can be a mine of useful information that you would find hard to get any other way - and will often be happy to chat if you are kind, friendly and polite. If you establish rapport they may have info on properties which are for sale but have not been advertised as such. Many people who have lived in one location for a long time, are understandably defensive over their community, and feel a sense of need to "protect" it from outsiders. The key here is to prove yourself as someone who is kind, good natured, respectable and who will actually benefit the community.

#### LONG TERM VS SHORT TERM PROPERTY MARKET

In the short term, housing markets fluctuate - and some of these fluctuations can be quite sharp. Although this can often be at least partially predicted, in the worst scenarios these fluctuations can lead to *negative equity* and repossession. *Negative equity* occurs when the value of a property drops to less than the amount of money that is owed on the mortgage - such as that if the property were sold, you would be left with a debt, having done nothing but make mortgage payments! If negative equity combines with job loss, the results can be disastrous: Another reason to live within your means as far as property is concerned!

In the long term, property prices seem to keep on rising - and if you look at the general trend of the market in the last hundred years, it has done nothing but rise overall. However it must be said, sometimes after a "bubble burst" it might take perhaps ten years or more for the price to rise again through the previous level. It is instructive to look not only at the price of property, but at the price of property as compared to a year's wages. You can easily find these charts online. Historically, the average property price in the UK for example has stayed fairly close to around 3.5 x the average year's wages. However, property has recently been running at an all-time high compared to wages, with some mortgage holders having "one-in-ten" mortgages i.e. a property that is worth ten times their annual salary. Such property owners are the ones at greatest risk if there is a *bubble burst* in prices.

It would therefore appear to make sense to purchase property which is within your means, and if it is realistic, to "hang in there" if there is a slump - as sooner or later things usually pick up again.

#### IS OWNING PROPERTY BETTER THAN RENTING?

This is a controversial subject - and while a majority would seem to believe that owning property is a preferable option, a number of others would disagree! The

argument is still ongoing.

There is tremendous *social pressure* to own a nice home as this is seen as one of the essential tenets of success - and this fact helps push many people into expensive mortgages that *keep them enslaved* for many years. House purchases are often made for emotional reasons - and such emotions (and subsequent defensiveness) are a poor substitute for *actual calculations and realistic financial planning*.

Although making your mortgage payments is a form of investment - because you will have a valuable asset at the end of the day - you need to bear in mind that you are also *giving away* a tremendous amount of money to the bank every month. There are also other expenses associated with ownership - such as property insurance, maintenance and closing costs. Some say that property is not the best way to *tie up your assets*, and that a home will not "work as hard for you" as if you were to rent accommodation and invest the difference.

Obviously, there are cases where owning can be better than renting, and vice versa.

There may be tax advantages to buying property as opposed to other forms of investment - such as **those in the USA**. However these vary from country to country and there may even be unforeseen obstacles. An example of this is the "Wealth Tax" in France - The Wealth Tax is a yearly tax on all assets located in France where the total value exceeds €750.000.

( Source - <a href="http://www.aplaceinthesunlive.com/how-avoid-tax-problems-when-buying-french-property">http://www.aplaceinthesunlive.com/how-avoid-tax-problems-when-buying-french-property</a>)

On the other hand, renting is somewhat like pouring money down the drain: You spend hundreds every month, put effort into maintaining a place, and at the end of the day you have nothing to show for it! This is hardly a good investment: It is a terrible expense! (See "The Renter's Eternal Chase Trap" in Chapter 16 ) Not only this, but you essentially have to put up with the inconvenience of living in someone else's house, under their rules.

The property issue is complex, and all things considered, one of the greatest financial challenges we all face. Whichever way you go - renting or buying - you seem to be faced with the inevitability of years of toil.

This goes directly against our mission to make money while we sleep - and therefore we must attack this issue and come to a good resolution!

One of the biggest factors in whether renting will leave you better off than buying, seems to be the size of mortgage undertaken. It will sometimes make more sense to hold off buying for a while - especially if the price is currently over-inflated, looks likely that there will be "correction", or if prices are falling. During such times it might be more profitable to rent for a while, live modestly and save some money to increase the

size of down payment you have available - with a view to buying when the market has bottomed out. It's important to look at the market. And more important than whether you rent or buy might be the question "Are you over-extending yourself financially?"

One idea is to live as modestly as possible while you set up asset streams which will at least partially pay for your housing while you sleep. Rather than adopting the typical mindset of "go to work, get paid, hand the money over for place to live", you could think more in terms of "leverage an asset which will work for me and pay some if not all of my housing expenses for all time."

Another possibility is to buy property and derive an income from it - typically by renting out one or more of the rooms. This also has its challenges; it can sometimes be difficult to find good, reliable tenants. However, when you consider that tenants will pay a chunk of the mortgage, purchasing and renting out rooms can be a good way to obtain *control* of a property. This is in line with our theories: The more assets you control and have working for you, the more your revenue; and if this revenue is paying the mortgage, you have *set up a system* which is increasing your wealth.

#### **BUILDING YOUR OWN HOME**

Still another option is to purchase a *land parcel* and build your own home. This option is often pursued by those looking to "escape", creative types or those looking for their "dream home". A look at eBay's **Land Portal** will show you just how many options are out there for prospective land purchasers.

In recent years, many new options have sprung up in the arena of "alternative housing." Several of these fall into the category of "eco housing" and will tout benefits such as low cost, use of sustainable materials or "low environmental impact".

Other options for the adventurous include **modular homes**, constructing a **cabin**, **yurt**, or even a **treehouse**!

Buying a piece of land requires a little skill and knowledge. There are many factors associated with purchasing a land parcel and you need to know what questions to ask - such as which essential services have been installed, whether the property has unrestricted access, whether it is free of <u>liens</u> and encumbrances, and whether there is planning permission. There are some good <u>articles</u> online with further information on this.

Another idea is to live in an RV on the land while building the house. This can cut living expenses dramatically. Be sure to check the legalities of such alternative dwelling where you live - there may be restrictions to this in some countries.

So in summary, it might not exactly make you a "property mogul" to live in a simple

dwelling on a piece of land – but when you think that it might save you hundreds of thousands of dollars (which can be invested in other assets, of course) it may be worthy of consideration!

http://webesharin.wordpress.com/category/alternative-housing/

http://www.americansteelspan.us/alternativehousing.html

http://ezinearticles.com/?Alternative-Housing&id=171201

http://www.woodlandyurts.co.uk/Yurt\_Facts/Build\_Your\_Own.html

http://www.amazon.com/gp/product/156158844X

#### REDEFINING SIMPLICITY

"If a man does not keep pace with his companions, perhaps it is because he hears a different drummer. Let him step to the music which he hears, however measured or far away." -- Henry David Thoreau

Another possible alternative to this whole scenario is to find a way to live a little more modestly - or unconventionally - for a time. If this is done for a few years it can really help to kick-start asset-building. However, most will not do it for fear that their lifestyle will be judged. And of course it may not be feasible if you have a family. Examples of possible ways to live modestly include recreational vehicles and trailers, houseboats, **yachts**, and converting attic / loft or basement space. Of course, legal restrictions may apply where you live: Be sure to check.

I have also come across "road warriors" living more-or-less as backpackers, but with functional or even highly prosperous businesses! I even met one character who traveled around the world buying and selling gems and jewellery - he in many ways had the lifestyle and adventures of dreams. It took courage, and knowledge of his trade and the markets. He would travel to countries like India, Bali and Brazil to purchase gem stones, jewelry, musical instruments and other small crafts and valuables, before selling them to European or American jewellers and boutiques. I have met further international "neo-bedouin" style travelers, some incredibly successful, who have no permanent residence whatsoever! It tends to be a lifestyle that either attracts or repels a person - and the chances are you will already know if this is you. But it's amazing what you can do with a laptop, a wireless connection and a good business model.... imagine the freedom of having a fully functional internet-based business which provides enough revenue and enables you to be able to work from wherever.

There are many people who <u>live full-time in RVs</u>. There are even web sites devoted to them – such as <u>www.fulltimerver.com</u>. Living in an RV can actually be quite luxurious - and the good news is that the used RV market is a gold mine. There always seems to be a superabundance of good used RVs available. Many of these are under market value - and might have had very little use, perhaps having been

bought by a middle aged or elderly couple who have been on the road only for a few weeks of the year. I would not of course recommend this if you live in an area prone to high winds. RVs may depreciate in value - but this is not likely to be anything like as severe as *mobile homes* - which I do not believe to be a good investment unless you are buying the land underneath them, which may appreciate. Craigslist is an amazing resource for used RVs.

There is an unfortunate social stigma attached to some alternative modes of dwelling as they are seen as being necessarily adjunct to "poor lifestyle choices" or to a person "not having their act together". While this may sometimes be true; it needn't be. And many people make the grand error of mistaking modesty for poverty. How much wealth someone owns is not necessarily the same as how much they display. It may even tend toward the opposite! One of the central tenets of *resource management* is to *diminish expenditure*: so therefore, if you can find a way to do this and live in a place which is safe, clean and - importantly - *much more inexpensive than either regular renting or mortgage*, you may be able to save several hundred dollars per month. Or you might free up much time with which to develop other assets.

This could be a foundation stone of great future wealth and freedom. All of a sudden it doesn't sound quite so *trashy*, does it? It's better to assess someone according to where they are headed, rather than where they are at.

Be sure to invest this money hard in more assets, and don't be tempted to relax your mission for financial independence!

Overall it will be instructive to do some good calculations and estimate how much money you would save living this way, and how much the return would be if the money were invested - as compared to the costs and returns of buying a house. This would make a good homework project. Remember that many figures are variable an that it is good to do *maximum and minimum* estimates.

#### SUMMARY

Property can be an incredibly good earner. Imagine owning an apartment complex, and having paid the mortgage. You will have a steady stream of income while you sleep - possibly for many years. There will be some overheads and a measure of work to do; paperwork, hiring contractors to perform maintenance, possibly hiring a property manager, but you see the picture.

When starting out you can easily get confused with the many technicalities involved in real estate. Real estate investment is not without its risks and as with most forms of asset purchase, serious study and expertise is invaluable. It is important to *do calculations* properly, and know all the additional expense factors such as what taxes you will be paying.

There are many resources available - such as estate agents, libraries, and online forums where these things are discussed.

#### Links to further reading

http://en.wikipedia.org/wiki/Real estate developer

http://en.wikipedia.org/wiki/Corporate\_finance

http://www.ginniemae.gov/rent\_vs\_buy/Rent\_vs\_buy.asp?subTitle=YPTH

http://thegoldbugnet.blogspot.com/2008/03/letter-to-rosenthal.html

## **Chapter 25 - THE PUBLISHER**

**Concept: INTELLECTUAL PROPERTY** 

"Movies are the only thing you can sell and still own." -- Louis B. Mayer (MGM)

INTRO
MANAGING YOUR INTELLECTUAL PROPERTY
THE SLOW DEATH OF PHYSICAL MEDIA
THE BODY OF WORK OR CATALOGUE
SECURITY AND ILLEGAL COPYING
INFORMATION FREE FOR ALL
OBSOLESCENCE
THE FUTURE OF DIGITAL PUBLICATION
INVENTIONS
CONTENT LIBRARIES
THE PUBLIC DOMAIN

#### **INTRO**

Intellectual property! Information products, musical scores, recordings, studies and research, software, literature, film and video, screenplays, inventions, images, tutorials, databases, designs, maps, architectural plans...

I chose the title "The Publisher" for this chapter, as opposed to "The Author", for a very specific reason. The Publisher is the one who *controls the asset* of the intellectual property and *exploits* it (i.e. licenses or sells it).

An author who has not signed a publishing deal with an existing publisher is said to be *self-published* - in which case, such a one is effectively both author and publisher.

The good thing about intellectual property, is that once you have done the work, it is done. You can copyright your work and control the rights to it for an extremely long time. People can keep on buying your book, or your music, and you keep on getting paid. Intellectual property is a highly desirable asset.

While in the past, publishing usually meant the printing and distribution of *physical media* publications such as books, magazines and newspapers, the age of *digital media* means that you can publish work without manufacturing physical copies of it! This is highly advantageous - as you can make and sell an unlimited number of copies at practically zero cost, while you sleep.

This has put *self-publishing* on the map as far as the entrepreneur is concerned - and in combination with the possibilities provided by automated online transactions, opportunities to make money while you sleep through digital publishing are better than ever! Internet publishing has *come of age* as one of *the* major ways to make money while you sleep - and I don't see this trend going away soon.

Intellectual property is a competitive field – so, as with other fields, the creation of *high quality content* and the development of *strong branding* are likely to be two factors that greatly determine overall success.

#### MANAGING YOUR INTELLECTUAL PROPERTY

Creating your original work is obviously one of your major tasks - but by itself, this is not the complete picture. You have to *exploit* your work. You can license it, you can give it away for free (as promotional material), or you can sell it. The best "money while you sleep" methods involve keeping on getting paid - so it will most likely be good to get your intellectual property into a digitally downloadable format, with automated online purchasing. (See parts #5 and #6 on Internet and Automated Processes for more on this.)

Digital downloads are only one part of the picture though.

One of the most desirable ways to earn money while you sleep is through the collection of *royalties*. A royalty is a statutory fee paid when someone makes use of your work. A well-known example of this: When songs are played on the radio, the channel is required to send a set fee to the authors / publishers in accordance with copyright law. Such fees are typically collected by performance rights organizations such as ASCAP or BMI (which are free or inexpensive to join) – and for a successful musician, royalty checks can make up a significant income.

Wikipedia has a major **article** on royalties.

#### THE SLOW DEATH OF PHYSICAL MEDIA

"Anything remotely resembling news media is going to continue to migrate online until very little or none of it is produced on dead trees." -- <u>Kurt Andersen</u>, novelist, 2010

Digitalization has changed the entire playing field of publishing - and the turbulent effects of these changes are far from complete. Physical media worlds - such as newspapers, magazines and music CDs - are being challenged. It is interesting that some physical media formats have not been hit as hard as others - yet. Books continue to be popular - one of the reasons for this is that many people still enjoy holding an actual book in their hands more than reading a book from a screen. Reading a book is an immersive,

tactile experience that goes beyond just the rapid dissemination of *smaller chunks* of information that is more typical of newspapers and magazines. But reading devices - such as Kindle and iPad - are making inroads.

The music world has of course been hugely impacted by the advent of digital music distribution. It is <u>much more difficult</u> to sell CDs nowadays - and although these still make up the majority of music sales, it is an uphill battle! We are on the *downside of the curve* - and in the music world, <u>licensing may possibly prove to be more profitable</u> than actual CD / mp3 sales.

Television also is being hit hard by the internet. I anticipate that these changes will continue and that computers, mobile computing and network communications will go on towards *total domination of media fields*. I think that within a few years, there will be no more television - or rather, television and internet will be entirely part of the same platform. I think that there will for a long time be a demand for *hard copy* of important documents and books, but these forms of media will play an ever more diminished role. More on this in Part #5 - The Internet.

There are still truly great opportunities for musicians, writers etc. But the publishing game has changed - and it's necessary to *adapt and survive!* 

#### THE BODY OF WORK OR CATALOGUE

For the modern publisher, an important concept is that of the *body of work*. Quite often this can either be the catalog of one writer, or a set of works grouped around a common theme or style. A strong catalogue means that each work in the catalogue helps to sell the other works: People often search for further works within a genre or by the same author.

Having a body of work also makes finding an agent to license or sell your work easier.

Given the minimal costs involved in storing, displaying and selling catalogues of work online, and the fact that once work is done, it can then continue to earn revenue with little or no effort; there is now possibly greater incentive than ever before for the independent musician or writer to be *self-published*. ( However, one should not underestimate the importance of good PR. A team of some sort is still desirable - it's an insane amount of work for one person to be author, publisher and PR firm!)

*Licensing* is one of the "magic words" of the publishing business. People will pay for the right to use a work if it saves them from having to do the same work themselves. The important thing about licensing is that a *non-exclusive license* allows you to license the work to more than one user — making money every time. Not only this, but, as in the case of music, if the user broadcasts the music, you are due for an additional performance royalty!

If you have a body of work that you have done, you have all kinds of possible opportunities to profit from it. Many people do not consider these opportunities – mostly because they are not aware of them. They attempt to sell their digital or manufactured products, while not really being aware that they might easily make *more money* by selling others the *right* to use, sell, broadcast or display such products.

Such rights are typically controlled within a *licensing agreement* – usually a simple, short legal form which delineates the terms, duration and other limitations of the deal.

The concept of licensing applies not only to music, but right across the board of intellectual property – and if IP is your field, it is absolutely vital to comprehend. A brilliant introductory guide which explores all kinds of licensing avenues is **Yanik Silver's introductory licensing video** – highly recommended.

Licensing can also be applied to business systems – and a franchise effectively allows a company to sell the rights to use its proven business model, within strict operating guidelines.

#### **SECURITY AND ILLEGAL COPYING**

The current challenge in the field of digital publishing is that it is easy for people to make illegal copies of digital works - and this often cuts a big dent in revenue. I am not sure where this *curve* is going to go: As with many fields of *security*, there is a constant game of *fortresses and cannons*: First security is improved, then someone finds a way round it, then security is improved again and so on. Hopefully new technology and legal measures will assert greater copyright control in the near future than has been the norm in recent years: Things have really been *out of control!* However, it is also worth noting that sometimes, too stringent copyright control can actually also harm profitability as it can limit the *viral spread* of new works. An interesting new concept in this area has come around in the form of Creative Commons - <a href="http://creativecommons.org">http://creativecommons.org</a>

One of the best weapons a digital publisher has currently to combat illegal file copying is to make it more convenient for users to buy a file than for them to steal it. This concept in one form or another is one of the major deterrents that has been used against theft throughout the ages. So make the location and purchase of your works online as user-friendly as you possibly can!

A highly functional web site, which is very strong on navigation, ease of use and previewing features for the consumer, will help sales. A good example is iTunes - with its huge catalogue, advanced searching methods and reliable file quality, it has successfully encouraged many to purchase mp3s rather than go through all the trouble and risk of trying to download them illegally.

Another tool open to the digital publisher is that it is simple to use search engines to find illegal copies of your work online. In addition to the regular search engines, a fantastic resource in this regard is **Copyscape** – which searches for duplicates of web page text.

The submission of a DMCA notice is usually sufficient to get an unauthorized copy removed – and I have been successful in this regard in the past. The best policy in general is to take responsibility for control of your own copyright: in most cases, no-one else will do this for you.

For best results combine an active policy of "seek and destroy" for unauthorized copies, with an effective channel that enables seekers to find your authorized channels easily. This will be far more effective than just one of these two tactics alone.

#### INFORMATION FREE FOR ALL

Another tremendous tool in the hands of the digital publisher is the ability to give some work away for free. This can greatly increase customer awareness of a brand. Giving away free works as a means to attract customers to your catalogue is practically a necessity now, and is the subject of my free PDF "The Most Important Word On The Internet". I also discuss this further in Part 5.

#### **OBSOLESCENCE**

Content which stands the test of time is likely to be a good area to focus on. Certain products, such as specialized computer knowledge or software, become obsolete quickly and so, although there may be very good money to be made from a successful product, working in these areas will often require that you continuously develop new products or upgrades. Some of the most desirable intellectual property is "timeless". Build up a body of good, timeless work... get the right agent, put it up online, promote. There's much set-up work to do but once it's done, the money might keep rolling in!

Another thing to bear in mind is that due to the huge amount of *free information* that is out there, minor works are likely to be more difficult to sell - and this trend seems set to intensify further as more and more people use *free stuff* as a means of attracting web traffic. Minor or small works are best used for promotion: The works which are more likely to sell are major, extensive and (hopefully) desirable works such as *Complete Guides*;) - which offer the reader the *convenience* of a great deal of research having been done and organized in one place.

Is there anything about which you could write a Complete Guide?

#### THE FUTURE OF DIGITAL PUBLICATION

This is such a fast moving field that it's hard to read the curve. There is definitely a huge trend towards giving material away for free in order to get web traffic, but this methodology cannot possibly stay in the same place for ever. What seems to be happening is that there is a huge and ever-growing body of free information, software and music being built up online. Publishers who produce a constant, high volume of high quality work are hanging in there, some are doing quite well... but what will happen when the quality and extent of free work available outstrips that of the work that is for sale? No-one will buy the work that is for sale any more. More people use the internet than ever before, but some writers have already abandoned the idea of selling their work and are concentrating on writing sensationalist blogs, profiting solely from the advertising on their pages.

Another aspect of this *saturation* is that every piece of free work that is available online further pushes down the overall *perceived monetary value* of intellectual property. This has already happened in the world of music mp3s: There are a whole generation who do not see music as something that you necessarily have to pay for any more. As I wrote in my *Free Guide #1* - giving stuff away for free only gives you a competitive advantage while the minority is doing so. As soon as everyone is giving stuff away for free, the perceived value of any one piece of free work is diminished to insignificance.

The answer, once again - is to develop *brand strength and viral popularity* through having work that is of superior quality, desirability and thoroughness to the rest of what is out there. You have to stand out from the pack.

#### INVENTIONS

This can be an incredibly lucrative field - and good patents can possibly earn money for a lifetime. There are plenty of things that need inventing, and always problems that can be solved by a brilliant invention.

In addition to the work of actually inventing something that has not already been invented, there are formalities involved in obtaining patents etc. I have included some links to further reading on this subject below.

http://www.uspto.gov/web/patents/howtopat.htm

http://inventors.about.com/od/firststeps/tp/Hot\_Tips.htm

http://www.patentyourinventions.com

http://smallbusiness.findlaw.com/patent/obtain-patent/

#### **CONTENT LIBRARIES**

A model of deriving revenue from intellectual property that has become very popular in recent years, is that of the *content library*. Typically, these will feature a large, searchable database of content – usually audio, video or images – and end users will pay for a license to use the content.

<u>Music libraries</u> are a popular revenue model for composers and I personally know a few musicians how have made fortunes through this model.

A modern spin on the content library idea is to feature libraries where users can create their own trading accounts, enabling them to buy or sell content. These are springing up everywhere and providing a great additional revenue model for content creators. Great examples of this are **Beathive** and **Audiojungle** (audio samples for music producers), **Revostock** (audio, images, footage), **Stock Footage Market** and **Clipcanvas** (video footage), **GraphicRiver** (graphics files).

If you don't think there's much money in this, think again. iStockphoto celebrity <u>Lisa Gagne</u> has had over 500,000 downloads of over 5,000 images and apparently makes over \$100,000 per year through this method. It's worth examining her work as it provides a good model for success in this game. You can see that her content is of high quality and has the "wow factor".

Sellers who use such sites are often able to set their own price for content, and this is a popular option. Very often the revenue model is that a percentage of the sale price will go to the library. And of course, the good news is that once the content is uploaded, the rest of the process is often automated – and you will earn money while you sleep!

One of the keys to making money while you sleep from content libraries, is to go for *volume*. In other words, you will get much more revenue from having a great amount of content available than you will from having just a little. The effect of volume can often be *compound* – in other words, a large volume of content gives you a wider *net* - especially if the content is tagged with different keywords. And once users have found one piece of your content, they will often browse more. A big part of the challenge of intellectual property is that of *visibility*. There's a lot of content out there and getting your stuff seen / heard is important. More on this in Chapter 34 under the heading "Exposure".

#### "Microstock" photography

One of the most popular of these content library models is "<u>Microstock Photography</u>". There is a demand for rare, interesting or highly *usable* images, and interesting new ways of profiting through online image libraries have sprung up. A couple of examples which enable you to buy or sell images are <u>istockphoto.com</u> and <u>Pond5</u>. Another example is <u>Shutterstock</u>, which has a subscription-based model.

#### THE PUBLIC DOMAIN

The public domain can be an incredible resource for the acquisition and use of intellectual property. The specifics can often be a little complex, but the essence is simple: Copyright does not last forever. For works published in the United States, copyright lasts for a maximum of 75 years. This means that virtually any work first published in the USA before 1923 is now in the public domain.

An excellent book which investigates this area in full is Stephen Fishman's "The Public Domain – How to Find and Use Copyright-Free Writings, Music, Art & More".

## **Chapter 26 - THE BUSINESS CREATOR**

**Concept: Creating Profitable Businesses.** 

"...there is ultimately only one reason to create a business of your own, and that is to sell it! To do it, to finish it, and then to get paid for it!" -- Michael E. Gerber "The E-Myth Revisited"

A FLOW DIAGRAM FOR STARTING A BUSINESS
THE IDEA
BUSINESS PLANS
STRUCTURE AND LICENSES
FUNDING
DOING WHAT YOU LOVE – IS IT A GOOD IDEA?
CREATING A BUSINESS THAT WORKS WITHOUT YOU
FRANCHISING

(Note - There are an almost infinite number of possibilities for new businesses - and so it would be impossible to cover them all within a book like this. It is a vast topic. So I have attempted to illustrate some principles, concepts and things I have learned over the course of the various business ventures I have run. As mentioned in the disclaimer - I am not professionally qualified to give legal or business advice. I strongly recommend that you consult with an attorney before starting a business - and the ideas / general information I have provided here is not intended in any way to substitute for such consultation.)

#### A FLOW DIAGRAM FOR STARTING A BUSINESS

Here is a simple template for a possible *business time-line from start to finish*:

The Idea > Market Research > Business Plan > Structure / Business Licenses > Funding > Product / Service Development > Marketing / Launch > Expansion / Franchising > Sale.

#### THE IDEA

The idea is obviously the foundation stone on which the whole venture is built. It will typically either be for something new or for something that improves on an existing

product or service. Although the idea may come in a momentary flash of inspiration, it could in one sense be seen as the most important aspect of a business – for without the idea, there is no business. The idea itself might therefore be the primary component of a great fortune. You can see from this that ideas are a hugely important asset. Please refer back to the section in Chapter 13 for more on the subject of ideas.

#### **BUSINESS PLANS**

Business plans are essential - not just from the point of view of raising capital, but from the point of view of obtaining a clear, visible picture of *how, why and whether* everything in your business will work, how you will create income and how it will be spent.

A good business plan should help you to be realistic about your goals and whether you will achieve them.

It is often difficult to predict how much money you will make, and how much you will spend - but it is essential to make the best estimate that you possibly can. And a potential investor will want to know *why* your estimates are what they are: Do your best to back your figures with *market research*. Industry reports, inquiries and analysis of other extant businesses in the same field can often yield useful results.

A business plan is not just something that is created and used before the business is started; it should provide an ongoing record of performance. By comparing projected performance with actual, you will gain insight (and also be able to make better business plans in the future). For example, spending is almost always higher than the initial budget, as unforeseen expenses come into play. By measuring the difference between projected and actual expenditure, you may be able to compensate more accurately in future for unforeseen expenditure.

Here is a link to an excellent web site on the subject of business planning - with many articles: <a href="http://www.bplans.com/">http://www.bplans.com/</a>

#### STRUCTURE AND LICENSES

How will you structure your business? This is a very important decision to make at the outset. Will it be a Limited Liability Company, Sole Proprietorship, Partnership, C Corporation or S Corporation? You will need a good attorney to advise you on this subject; you will thank yourself later for having done this well in the beginning.

For licensing information you will need to check with your local government or chamber of commerce - as licensing requirements for businesses may depend on your

location as well as your field.

http://articles.bplans.com/index.php/business-articles/incorporating-a-business/legal-entities-licenses-and-permits/

#### **FUNDING**

Starting a business requires funds: To begin with you will likely be working long hours, perhaps without income. In general, to finance a business venture you will either need your own funds, venture capital or loans.

In order to hand over venture capital, an investor will of course want to see a very good business plan. Investors generally fall into two categories: Angel Investors and Venture Capitalists. Angel Investors are usually wealthy individuals, often friends, with an element of *goodwill* toward the fledgling project; whereas Venture Capitalists tend to be more serious and professional about their involvement with your company. Their sole motive will be profitability - so you can be sure that they will scrutinize every detail of your business plan and presentation.

Many people seek funding from family and friends. While this may work for some, I think it may often be better avoided. Why? Because a friendship or family relationship can be soured if the money is lost - and also because family members may want to get involved (i.e. interfere) with one's way of doing business. In my view, for serious ventures the whole thing is a hindrance and best avoided - but of course it depends on individual circumstances. Just something to be aware of.

#### DOING WHAT YOU LOVE - IS IT A GOOD IDEA?

I mentioned this in Chapter 6 – now it is time to look at it in greater detail.

Of primary concern when commencing a business is to assess its *profit potential*. Many people go into business *doing the thing they love* - and while this sounds like it could be a dream, it very often turns into a nightmare. Why? Simply, because as stated in Chapter 6, making a business out of what you love, is not necessarily undertaken with the primary objective at the forefront: *Profitability*. There is a big difference between doing something because you love it and doing it because it will be profitable.

It has become very fashionable to say "Do what you love and the money will follow" - but I take major issue with this line, from the benefit of experience. If you are doing something because you love to do it, it does not necessarily guarantee *at all* that you will make a profit! Can you see how obvious this is? I seriously hope so!

Of course, it may greatly help your motivation to be doing something you enjoy - and it is passion that inspires many business startups - but the fact that you enjoy something is simply not, on its own, a solid reason to go into business doing it. Very often people go into business for emotional reasons, or with emotional attachments - and I believe this to be one of the major reasons why so many small businesses fail.

Objectivity is of supreme importance. For example, let's say you enjoy making art - and because it is your favorite thing to do, you decide you want to make it into a business.

The first business step you might make is to produce a number of new works, and try to get them exhibited in galleries and other popular local venues etc.

However, unless your work is out of this world, you might not find that this, in and of itself, brings phenomenal success.

This is because in order to make a successful business out of this, you will likely need to promote your work hard.

And there are an enormous number of ways that this can be done: From creating a web presence, setting up art openings, holding workshops, having greetings cards and fine art prints made and distributed... the list goes on.

The point is, if you start doing something as a business, there are suddenly an enormous amount of additional tasks that need doing, and new skills to learn. And many of these things might be dull, laborious and time consuming - yet do them you must. You might suddenly find yourself spending over 50% of your work time not doing any art at all!

Not only this, but if you are starting out from ground zero, you might have no real idea of whether such a venture will *actually* make any money. And maybe there is simply little profitability or current interest in what you are doing. The whole thing can be a giant, stressful, time-consuming risk!

Suddenly art might all seem like less fun than it was before.

The big mistake? You have only considered things from the point of view of what you want from the enterprise; and if what you want is to indulge your artistry, you cannot necessarily expect others to owe you their money for this privilege! I believe this to be an immensely important point. If you are going to generate profit, you need to think about and place foremost, the needs and wishes of your potential customers: For it is by fulfilling these, that profitability is to be had. It is not about you any more, it is about them. And paradoxically, if it is all about them, they will be all about you.

This is a subtle, yet essential shift in perspective. All the while you are doing

something out of attachment to your love of it, you are not focused primarily on the needs of your customer. Too often, people try to have it both ways.

There is of course a way to *centralize* the customer and derive joy from the creation of a *successful* product - one that meets their needs. And there are many ways to *transmute* doing what you love into doing what is profitable; and such transmutation is what will be required. This takes some lateral thinking; as mentioned before - you might capitalize on your existing knowledge by creating tutorials, or a related product or service which is both profitable and promotes your original artworks.

And I believe this mind-set will make you more likely to succeed - in which case you can then do your art, your way, in your time.

So the way forward in my opinion is to reappraise the whole venture from the point of view of profitability – in other words, from the point of view of **what you can do for your clientele**. (The article linked here is IMO one of the best pieces of straight-shooting business advice on the planet.) And of course, to make a serious study of the subject of marketing itself.

In order to assess profitability, you must examine trends. And trends are about *what other people* want! See Chapter 6 on "the curve". What types of product and methods of dissemination are in high or growing demand? What are the great problems that people need to have solved? This might be something as challenging as inventing a new technology, or it might be something as simple as opening a store of a certain type in a certain location where there is no competition.

There is a *hierarchy of human needs*. This, simply, is a list of fundamental human desires, needs and impulses starting with the most important ones. For example, people have a very strong need to make money. This is why good books about making money are popular and can be very profitable. In general, the more your materials help people, and the better you are able to convey this usefulness in your marketing materials, the more money you will make.

#### CREATING A BUSINESS THAT WORKS WITHOUT YOU

Of principal interest to the entrepreneur who is looking to make money while they sleep is a business that *works without them*. Whether you are looking to create a business which runs profitably with minimal intervention on your part (either through staff, assets or automated processes); or whether you are looking to create a business which you can franchise or sell, the principle is the same: Make a business that has a *model* that works elegantly, and which can be operated by others / automatically without too much difficulty.

This is a fundamental concept that is often overlooked by those starting out in small

business. They build a business which is entirely dependent on *them*, and which therefore enslaves them rather than freeing them.

It is ultimately the *model* that will account for profitability, and this will also be a determining factor in the ultimate sale of a business - it must be demonstrable to a potential buyer that the business works as its own entity, without you.

A business that works without you is also likely to be more viable for expansion.

The *end game* of a business creator is to sell the business.

#### **FRANCHISING**

A franchise, by definition, is a proven *method or means of doing business* which is then licensed to a franchisee.

To create a franchise usually means first to make a *business model* which is successful in one place - and which can be replicated. Once your business is designed in such a way - as a *formula* - it can possibly be franchised.

Often the franchisor will provide a turnkey business model including training and ongoing support.

Depending on where you are, franchises may be governed by state or federal laws and regulations.

http://en.wikipedia.org/wiki/Franchising http://www.franchise.org

## **Chapter 27 - THE INVESTOR**

Concept: "Classic Investments" / savings.

"All you have to do is deposit one penny in a savings account in your own era, and when you arrive at the End of Time the operation of compound interest means that the fabulous cost of your meal has been paid for." -- Douglas Adams - The Restaurant At The End of The Universe.

# INTRO TYPES OF "CLASSIC INVESTMENT" TAX-FREE INVESTMENTS AND EARNINGS CLASSIC INVESTMENT STRATEGIES, IDEAS AND CONCEPTS

#### **INTRO**

An *investor* is someone who has some financial capital, and typically invests it in a scheme where others *do the work* and pay the investor interest and / or a *dividend* of some kind. "Classic" investments, as I have called them (so as to distinguish them from the overall concept of *investment* as that of acquiring assets of whatever kind), are mainly *passive* in the sense that once you have invested the money, there is little or no effort on your part.

The money made from such investments is thus made while you sleep - however, significant gains can often only be had with some element of risk; Classic investments very often do not make the highest gains. Classic investments are typically seen as "safe houses" for those who do not wish to speculate, devote much time to the enterprise, or take great risks.

#### **TYPES OF "CLASSIC INVESTMENT"**

I have listed some examples of the many possible ventures for the "classic investor" - and in many cases have included a Wikipedia link as the explanations given there are very good and would render any great description here as superfluous. I recommend for anyone seeking to learn about these things to read the Wikipedia pages - they are a great place to start.

#### **Savings account**

Tried and tested, relatively safe... interest accrued on savings is perhaps the simplest, most immediately obvious way to make money while you sleep. It is low risk and requires no effort whatsoever on the part of the saver. Fantastic!

The best thing about savings is that they are one of the safest ways to store money. The worst thing about savings is that they do not work very hard for you. You need a lot of cash saved in order to make any sort of reasonable profit from savings. To take a simple example — as an experiment I recently created a web site which started earning me \$10-15 per day on autopilot. Total cost, one weeks work. At the current rate of interest for a savings account in the USA, let's say 3.5%APR, I would need a sum of over \$104,000 in order to be earning me a return of \$10 per day! On the flip side, the income from my web site is far from guaranteed and will may well be obsolete in a few years - not to mention work required keeping it up to date in the meantime.

So, savings might be seen as a good, safe way to protect you from becoming poor; but a poor way to become rich. Many savings accounts allow rapid withdrawal of funds - so it's a form of "piggy bank".

There are many funds, pension plans etc. out there and a financial advisor will be able to point you in the direction of a good one. My suggestion? Keep a savings account. Find something with the best rate of interest you can, and add to this fund slowly over the course of time. A standing order from a bank account is a good method. But keep some of your resources for other ventures.

I have invested most heavily in my businesses. This is because I believe that a business has greater potential for massive growth. By all means keep some savings. They require practically no work to maintain, and create a fairly dependable - if limited - income. A good way to play it safe. A good way to create some relative stability and security. But a painfully slow way to get rich.

#### **Bonds**

A bond is an investment with a guaranteed return. You are effectively lending your money to the *issuer* of the bond, and the bond is an agreement that they will pay you back the principal plus interest (known as the "coupon") at a later date known as the date of maturity.

http://en.wikipedia.org/wiki/Bond\_%28finance%29 https://www.franklintempleton.com/retail/jsp\_cm/education/fund\_basic/tax\_free/why\_tf.jsp

#### **Mutual funds**

A mutual fund (or "managed fund") is a firm that invests money collected and pooled from several investors. A good way to look at a mutual fund is to see it as employing a professional investor / speculator to look after your money. You are investing in their skill, experience and management.

Typically this money is invested in <u>stocks</u> / shares, bonds, <u>securities</u> or the <u>money</u> <u>market</u>. Of these, money market funds have the lowest risks - and gains - associated with them.

Because of the economies of scale presented by the pooling of funds, mutual funds can be seen as a way to enable investors to cut trading costs when investing in stocks or bonds. Mutual funds often require a minimum investment.

http://mutualfunds.about.com/cs/buildingblocks/fr/whatis.htm

http://en.wikipedia.org/wiki/Mutual\_fund

http://www.investorguide.com/igu-article-486-mutual-fund-basics-mutual-funds-

and-your-portfolio.html

#### **Hedge funds**

Hedge funds are private investment funds which are managed in return for a percentage of the profits - typically around 20%. Hedge funds are similar to mutual funds but are less regulated and can use riskier (and therefore potentially more profitable) investment strategies.

Hedge funds have had great successes over the past few years - however with the "credit crunch" of the past several months, some have found themselves in serious trouble - even liquidation. All of a sudden, with the turn in the markets, for some it appears that "the party's over".

Good articles on Hedge Funds can be found here:

Wikipedia: <a href="http://en.wikipedia.org/wiki/Hedge-fund">http://en.wikipedia.org/wiki/Hedge-fund</a>

http://www.asx.com.au/resources/newsletters/investor\_update/20060411\_choosi

ng a hedge fund.htm

http://www.nakedcapitalism.com/2008/03/hedge-funds-its-bloodbath.html

#### TAX-FREE INVESTMENTS AND EARNINGS

(Note – this info applies to the USA. Different countries will have different options. UK readers might be interested in **National Savings And Investments**.)

#### **Individual Retirement Account**

One of the best-known of these is the IRA (Individual Retirement Account). An IRA is an account which is specifically structured for long term wealth building and retirement planning. These can be contributed to either by an employer or by an individual, and can feature either tax-deferred or tax free income. Tax deferment means that you don't pay the taxes until you retire - and can thus earn compound interest on the amount of money that you *would* have paid in taxes. This can add up to a substantial amount over a long period of time i.e. 30 years.

With an IRA you can choose how you would like the money to be invested - whether it is stocks, mutual funds, CDs etc. There are three types commonly available - Roth, Traditional and Rollover.

IRAs also offer protection from creditors in the event of bankruptcy. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 gives exemption of up to \$1,000,000 to IRA assets.

(source - <a href="http://en.wikipedia.org/wiki/Individual retirement account">http://en.wikipedia.org/wiki/Individual retirement account</a> )

A Roth IRA can be a very good investment and is worth investigating.

http://www.ffsllc.com/uploads/Files/9/9 1.pdf (Roth IRAs)

# 401(k)

Another form of retirement account, the 401(k) plan allows an employee to choose a percentage of their earnings to be paid directly into the 401(k) account - and taxes are deferred until retirement, allowing for compound interest benefits. If you are an employee, the 401(k) must be set up by your employer. You can also create one if you are self-employed. 401(k) plans also offer protection against bankruptcy of the employer - but if the employee has invested 401(k) assets in the stock of the company itself, these are not protected in case of bankruptcy. There are usually penalties incurred in drawing funds early from 401(k) accounts.

http://en.wikipedia.org/wiki/401%28k%29

# **CLASSIC INVESTMENT STRATEGIES, IDEAS AND CONCEPTS**

#### Diversification

The principle behind diversification is to minimize risk. By spreading your investments across several industries or types of investment, you do not have *all your eggs in one basket* and therefore if something fails, the negative impact on your finances will be minimized.

Another aspect of diversification is the balancing of risk between high and low. If all your investments are low-risk, they will likely be low gain. If some are low-risk, and some are high, you have both a safeguard position, and some freedom to *play to win*.

# Find a good financial advisor

A financial advisor may offer advice on numerous areas of financial management – including making retirement plans, investment strategies and estates. Financial advisors often charge either a percentage of the assets under management, or a flat fee. Many earn commissions from the sale of financial products such as life insurance – and so it is essential to find one who is impartial. I have found several good articles on the subject online:

http://findarticles.com/p/articles/mi m0JQR/is 6 15/ai 30432097

http://www.wikihow.com/Hire-a-Financial-Advisor

http://www.learnmoney.co.uk/advice/advice-01.html

http://www.investopedia.com/articles/pf/07/rightadvisor.asp

## Start early: The power of compound interest

The sooner and more aggressively you start investing in assets, the better. This can be demonstrated by the following tables: In each example, the same amount of money (in this case \$36500) is invested overall, with the same rate of interest - yet it can be seen that the *earlier* this money is invested, the greater the overall return will be.

(Note - in order to save time I calculated interest as if the year's money was invested once at the end of the year rather than on a daily basis. The principle remains true regardless.)

Table 1: \$5 per day invested for 20 years

| year    | Amount invested | Interest yield (10%) | Total     |
|---------|-----------------|----------------------|-----------|
|         |                 |                      |           |
| Year 1  | 1825            | -                    | 1825      |
| Year 2  | 1825            | 182.50               | 3832.50   |
| Year 3  | 1825            | 383.25               | 6040.75   |
| Year 4  | 1825            | 604.07               | 8469.82   |
| Year 5  | 1825            | 846.98               | 11141.81  |
| Year 6  | 1825            | 1114.18              | 14080.99  |
| Year 7  | 1825            | 1408.10              | 17314.09  |
| Year 8  | 1825            | 1731.41              | 20870.50  |
| Year 9  | 1825            | 2087.05              | 24782.55  |
| Year 10 | 1825            | 2478.25              | 29085.80  |
| Year 11 | 1825            | 2908.58              | 33819.38  |
| Year 12 | 1825            | 3381.94              | 39026.32  |
| Year 13 | 1825            | 3902.63              | 44763.95  |
| Year 14 | 1825            | 4476.39              | 51054.34  |
| Year 15 | 1825            | 5105.43              | 57984.78  |
| Year 16 | 1825            | 5798.48              | 65608.26  |
| Year 17 | 1825            | 6560.83              | 73994.08  |
| Year 18 | 1825            | 7399.41              | 83218.49  |
| Year 19 | 1825            | 8321.85              | 93365.34  |
| Year 20 | 1825            | 9336.53              | 104526.87 |

Table 2: \$10 per day invested for 10 years then let sit for 10 years. (Interest rate and total amount invested is the same.)

| year    | Amount invested | Interest yield (10%) | Total     |
|---------|-----------------|----------------------|-----------|
|         |                 |                      |           |
| Year 1  | 3650            | -                    | 3650      |
| Year 2  | 3650            | 365                  | 7665      |
| Year 3  | 3650            | 766.50               | 12081.50  |
| Year 4  | 3650            | 1208.15              | 16939.65  |
| Year 5  | 3650            | 1693.96              | 22283.61  |
| Year 6  | 3650            | 2228.36              | 28161.98  |
| Year 7  | 3650            | 2816.20              | 34628.17  |
| Year 8  | 3650            | 3462.81              | 41740.99  |
| Year 9  | 3650            | 4174.10              | 49565.09  |
| Year 10 | 3650            | 4956.51              | 58171.60  |
| Year 11 | -               | 5817.16              | 63988.76  |
| Year 12 | -               | 6398.88              | 70387.64  |
| Year 13 | -               | 7038.76              | 77426.40  |
| Year 14 | -               | 7742.64              | 85169.04  |
| Year 15 | -               | 8516.90              | 93685.94  |
| Year 16 | -               | 9368.59              | 103054.54 |
| Year 17 | -               | 10305.45             | 113359.99 |
| Year 18 | -               | 11336.00             | 124695.99 |
| Year 19 | -               | 12469.60             | 137165.59 |
| Year 20 | -               | 13716.56             | 150882.15 |

Result: \$10 per day for 1<sup>st</sup> ten years outperforms \$5 per day for 20 years by over \$44,000

Table 3: \$100 per day invested for 1 year then let sit for 19 years. (Interest rate and total amount invested is the same.)

| year    | Amount invested | Interest yield (10%) | Total     |
|---------|-----------------|----------------------|-----------|
|         |                 |                      |           |
| Year 1  | 36500           | -                    | 36500     |
| Year 2  | -               | 3650                 | 40150     |
| Year 3  | -               | 4015.00              | 44165     |
| Year 4  | -               | 4416.50              | 48581.50  |
| Year 5  | -               | 4858.15              | 53439.65  |
| Year 6  | -               | 5343.96              | 58783.61  |
| Year 7  | -               | 5878.36              | 64661.98  |
| Year 8  | -               | 6466.20              | 71128.17  |
| Year 9  | -               | 7112.82              | 78240.99  |
| Year 10 | -               | 7824.10              | 86065.09  |
| Year 11 | -               | 8606.51              | 94671.59  |
| Year 12 | -               | 9467.16              | 104138.76 |
| Year 13 | -               | 10413.88             | 114552.64 |
| Year 14 | -               | 11455.26             | 126007.90 |
| Year 15 | -               | 12600.79             | 138608.69 |
| Year 16 | -               | 13860.87             | 152469.56 |
| Year 17 | -               | 15246.96             | 167716.51 |
| Year 18 | -               | 16771.65             | 184488.16 |
| Year 19 | -               | 18448.82             | 202936.98 |
| Year 20 | -               | 20293.70             | 223230.68 |

Result: \$100 per day for 1<sup>st</sup> year outperforms \$5 per day for 20 years by over \$118,000

You can see clearly from these charts how the sooner and the more aggressively you can invest in assets, the better. The greater the assets you have working for you, the greater your profit will be.

Start early! Invest now, rather than later! The way to start making money while you

sleep is to *go at it* and start to build your asset column as soon as you can. The harder you work now, the more money you can earn in your sleep later.

# **Further reading**

http://www.seninvest.com

http://d209886.u27.hsphere.clientsource.com/cat-invest.html

# **Chapter 28 - THE SPECULATOR**

Concept: Risk capital buying and selling commodities to gain profit.

"To make any kind of gain in life... you must place some of your material and / or emotional capital at risk. That is the law of the universe. Except by blind chance, it cannot be circumvented.... To become a butterfly, a caterpillar must grow fat; and to grow fat, it must venture out where birds are. There are no appeals. It is the law." -
Max Gunther "The Zurich Axioms"

"In this world nothing is certain but death and taxes." -- Benjamin Franklin

"The book of the future has yet to be written" -- AN

INTRO
STOCKS / SHARES
RESEARCHING NEW MARKETS - SOME IDEAS
EXTERNAL FACTORS AND MACROECONOMICS
TESTING
TECHNICAL ANALYSIS
DIVIDENDS
OPTIONS and FUTURES
BUY AND HOLD VERSUS SHORT TERM TRADING
PRECIOUS METALS
GOLD
SILVER
THE NEW PRECIOUS METALS

#### **INTRO**

The definition of a speculator is someone who buys and sells stocks, commodities, currencies and derivatives in order to profit from variations in price.

There are tremendous opportunities to make - or lose - money while you sleep in the markets. Max Gunther's words ring true. The thing about speculation is, that it is just that - a gamble. You might win - but you might lose.

In the course of studying speculation you will come across systems, methods, beliefs,

superstitions - almost as many, it seems, as there are speculators. But so far, it is a fact that there is no science on earth which can successfully and completely predict the future. Sometimes you can tell what is *most likely* going to happen next - but it is wise to maintain an awareness that until it happens, it is not certain. The book of the future is not yet written.

This philosophy applies to the markets. There is no theory in existence which is fail-safe, no system which will guarantee a win every time.

However, as others have said, all of life is a gamble. If all you ever do is to play it safe, you won't lose much - but then you won't gain much either. To give yourself no real chance of great success, is another form of loss.

You have to play in order to stand a chance of winning. But you can study the odds, and learn more about when they are in your favor, and when they are stacked against you.

The real pathway through all of this is to learn as much as you possibly can about the current *curves and trends*, and learn to *manage risk* as well as possible. This generally means knowing as much as you can about when to get in, when to stay in, when to get out, when to stay out - and how much to risk.

You cannot win every time as a speculator. No-one can. But if you manage your risk and play the game well, you might win substantially more than you lose. The idea is to give yourself the best possible chance of winning overall.

It is beyond the scope of this book (and beyond my qualifications!) to give actual recommendations as to how to play the markets. The subject of speculation is another vast arena, requiring perhaps years of study to become a true master. So this chapter is intended to be a *primer* of sorts - designed to give you some background info, some ideas, some possibilities and some incentive to further study and action.

(note - I recommend a read of Max Gunther's controversial, entertaining and illuminating book "The Zurich Axioms". It presents the polar opposite of the kind of "sensible" thinking around money that is often taught. It is philosophical in nature, and doesn't deal with mathematical or scientific methods of investing. But the Axioms were the modus operandi of the head of the New York branch of the Swiss Bank Corporation! You think that might be worth something?)

#### STOCKS / SHARES

Although in the short term, the stock market can rise and fall dramatically, when viewed over a longer period (i.e. several years) the general trend is usually profitable.

Of course, individual companies can suffer financial disaster - and this is a risk you run - but for the most part, even after a dramatic fall, the stock market eventually rises back above previous levels.

To protect against risks it is often advised to *diversify* and spread investment among a number of "good companies". It is worthwhile to do some homework and learn as much as you can about companies and industries you are interested in.

The first priority is to maintain capital. Losses can be difficult to regain – for example if you make a 50% loss, you need to make a 100% gain to get back to where you started.

For the *long term investor*, the stock market presents a valid opportunity – and "buy and hold" strategies such as those used by multi-billionaire <u>Warren Buffett</u> were instrumental in the building of his wealth. The core of Buffett's strategy was to wait patiently for the strongest opportunities to come along, rather than jumping for whichever stock seemed *best at that moment* – and to concentrate on seeking out and studying the best companies; those with a strong "iconic brand" yet which were undervalued, however looked destined for great success; He then invested heavily in the winners, possibly holding the stock for several years – the "<u>value investing theory</u>."

I am always cautious about the stock market, as we live in uncertain economic times. However, it is always instructive to look not just at the latest Wall Street and London dramas, but at *global trends* - as there are very often bull markets in different parts of the world.

There are always other fields of investment available when one field looks risky. Looking at <u>international markets</u> is always valuable and it is there that some of the great gains are to be had. (Note that the link here is to a sales page but the copy still has valuable information. I have not bought their product and therefore cannot recommend it.)

The obvious *big boom* at the moment is China. The country is essentially going through a rapid gear change of *industrialization*. People are switching from a simple, agricultural way of life to a more "modern" industrial way of life - and this means huge growth in the use of things such as natural resources, energy, mining and manufacturing. And there are an estimated 1.3 billion people in China.

This of course means a great boom in commodities - and stocks in Chinese industries such as aluminum and steel surged forward in 2007. There have been losses in recent months - but my feeling is that looking at what is actually happening on the ground in China, I would be surprised if stocks didn't pick up and start moving forward again. So this may be a possible area of investigation for the investor.

India is worthy of close examination. Like China is undergoing a wave of massive industrialization – and is said to be a few years behind. And **some are saying** that it will be an even better investment over the coming decades.

#### RESEARCHING NEW MARKETS - SOME IDEAS

Some people only seem to play certain kinds of stocks or use certain techniques because that is all they ever knew. I think it better to take a broader perspective. Study other areas of the economy; learn about new fields of business, new countries, new industries. A couple of great sources for this are <a href="Street Authority">Street Authority</a> and the <a href="Motley Fool">Motley Fool</a>. They have a lot of free articles which examine all kinds of "signals". While studying the particular stocks they point out, you get an education into how market conditions are shaped by events and times.

The next step might be to single out promising companies, and learn as much about them as you can. There are standard, tried and tested methods of doing this investigation which are quite scientific - such as those of Warren Buffett (see link above). Observe these companies over time - and you should develop a flair, a sense for potential winners. Getting in at the right time with such companies can potentially be very profitable. Knowledge of an industry will help to enable you to spot potential winners within that field.

One idea for someone at the beginning of learning about stocks and speculation is to "play" at stock trading on a small scale, in order to learn and experiment. It's a little like playing a game of "Monopoly" in order to learn about the power of acquisition and of controlling a large number of assets. Doing this can be very instructive. By tracking the actual results of your "gambles" you can see how often you are right; how much money you won or lost; and generally get a feel for the "dance" of a certain stock and what factors affect it.

You could try starting out with a small stake - say a few hundred dollars - and do a series of short term trades, see if you can increase the money and by how much. You can more readily experiment with risk and different strategies in order to learn if there is no great fear of losing a fortune.

Always be willing to experiment, to *test*, to research and learn, to try out new strategies. This is why I suggest - at first - playing only with small money or even just observing. Trading is largely a skill that develops through experience.

#### **EXTERNAL FACTORS AND MACROECONOMICS**

An important area of study is to learn about what external factors affect the market in general. These can be anything from unusual weather events, political events, to the

movement of currencies, inflation and the laws of supply and demand. There are all kinds of factors outside of the direct influence of a company, that affect its stock.

There are many interesting and unusual factors that also influence prices and human behavior. Some of this behavior is quite irrational - but might be predictable, if you know what you are doing. For example, the recent reactions in trading to the price of gold hitting \$1000 for the first time. Round numbers affect human psychology and buying behavior. This brings me to an essential point: as Spock might have said "Human beings are not logical". People en masse often make decisions for emotional reasons - and if market sentiment can be read accurately, it can be profited from.

#### **TESTING**

Most people don't do this. I think many people have a resistance or fear of statistics. They think it's obsessive, or nerdy, or something. Or maybe they just have an aversion to the complexities of mathematics. Or maybe they just don't *get round to it*, underestimating its importance. Many people like to *trust their gut* when it comes to decision making. Very often the gut is a good guide - but I say *if science is available, make the most of it*.

Testing makes an enormous difference to the performance of a campaign. The important thing to note, is that it is very difficult to *second-guess* exactly what factors will affect profits. Applying testing methods – in all areas of businesses – is a way to get rid of uncertainty and to discover *what actually works*.

The standard way to test any given campaign, is to set up two or more versions of the same experiment, with as many similarities as possible but with one fundamental difference. By running the two campaigns side by side, you are able to hone in and measure the performance of one specific aspect of a campaign. Further tests can isolate and enhance other specifics – until after many tests, a complete picture is built up.

So, keep records. Observe events. Make predictions about companies and see whether they came true or not. Run multiple campaigns simultaneously and keep only the ones which perform the best. In the case of stocks, this will teach you something not only about the companies you are working with, but about your method of prediction.

You might, for example, decide to make a study of the influence of some particular type of political event on stock prices. Observe it carefully, globally, over a period of time. Look at charts from history. Test your theories. Make notes. If they produce no conclusive results, move on to something else. You have learned something. And everything you learn, increases your ability to sense the movement of prices.

As a general scientific principle, your ability to do good scientific research increases with your ability to be *unattached* to the outcome of your tests.

More on testing in the internet section - Part #5.

#### **TECHNICAL ANALYSIS**

One method used for analyzing markets and making predictions is **technical analysis**. This, essentially, is a method of investigating *past market data* for patterns - and using those patterns to anticipate what is likely to happen. Adherents of the *technical analysis school* believe that observation of these patterns will enable them to make accurate market predictions. Technical analysis might be a useful tool in achieving more consistent profits – however, opponents of its theories state that there is no way to predict what a stock will do in the future based on what it has done in the past.

The problem with statistical models is that they can never be complete. The number of factors which affect the markets are enormous, and so there is no way to create a model which is complex enough to account for everything.

I prefer to look at economic, political and industrial factors in stock movements. I do not entirely disagree that stocks might move in patterns; but my tactic is to look at *real-world* indicators before going long. I'll keep up to date with the general state of the marketplace by reading industry publications such as **Investment Capitalist**, **The Motley Fool** and **Street Authority**.

It is interesting just how many fields of knowledge come into play when you are a speculator. You will certainly end up with a broad education in current affairs.

# **Automated Trading**

One interesting area of investigation that I have come across recently - is that there are now <u>artificial intelligence</u> models which analyze the stock markets and make fully automated trades. Some of these models have the possibility to *learn* from their own data, gradually developing more refined algorithms. A classic example of this is "Marl" - a software program designed by a programmer who had worked for Goldman Sachs. Full details of this are available on <u>www.doublingstocks.com</u>

Another intriguing system can be found at <a href="mailto:fx-auto.com">fx-auto.com</a>. This web site contains a complete system with which you can make automated Forex trades based on technical analysis. Their system has a huge statistical database and a dizzying array of options. I recommend checking out their introductory video, found via the "Platform Tour" link on the homepage.

More automated trading resources to investigate:

https://www.cool-trade.com/

http://blog.stocktickr.com/2008/06/26/coming-up-with-ideas-for-automated-

trading-strategies/

http://www.ehow.com/way\_5183873\_automated-trading-strategies.html

Now that the technology available to us has reached a sufficient level of advancement, there will undoubtedly be further - and more sophisticated - software algorithms for automated trading in the not-too distant future. More on this in Part # 6.

#### **DIVIDENDS**

When companies make profits, they can offer some of this to their shareholders in the form of dividends - usually paid quarterly.

The other alternative, if the company is focused on high growth, is to reinvest this money back into the company - which will hopefully result in an increased share price.

As anyone who has received dividend checks knows, this can be a pretty sweet way to make money while you sleep! I must confess, I take absolute delight in those times when I open my mail and there is a check sitting there from a system that I *set up* a while ago that is continuing to pay me.

Dividends are usually paid out either in the form of additional stocks, or as money - in which case a certain amount of money is paid per share owned. So, the amount you will receive as a dividend will obviously be greater the more stock you have in a company.

http://en.wikipedia.org/wiki/Dividend

#### **OPTIONS and FUTURES**

I have said that there is always a way to make money, regardless of the trend. Options and futures are great examples of this. Collectively known as *derivatives* (because they *derive* their value from an underlying stock or other asset), options and futures present a great opportunity to profit in volatile times.

There really are always opportunities. As I stated back in Chapter 6, wherever there is *movement of energy and people*, there is money to be made. It is largely a case of knowing the principles, reading the game, being flexible enough to move - and acting accordingly.

Options and futures do present an opportunity to make money whether the market is going down or up - however, they are complex. They require skill, experience and accurate prediction of the markets in order to play successfully. A certain amount of study will be required - and what is presented here is very much an over-simplification, just to give you a basic picture.

In addition to the possibility of greater gains, certain types of options can expose you to risks of enormous loss. Also, you are essentially speculating against other speculators. Options effectively magnify both the potential gains and losses as opposed to stocks. It might be a good idea to start trading in stocks first - and venture into options if and when you are successful.

## How do options work?

## Call options

In a nutshell, when buying an option, you are paying a fee for the right to buy (known as a "call option") or sell (known as a "put option") a certain stock or other financial instrument at a certain price (the "strike price") on or before an agreed date in the future.

Let's say that a stock is priced at \$1.00 today, and you think the price will go up. You purchase for \$20 the right to buy 1000 shares for \$1.05 at any time before a certain expiration date. Let's say that the stock price does indeed rise and hits \$1.20. If you were to exercise your option, you could purchase the shares for \$1.05 and immediately sell them for \$1.20 on the market - thus realizing an instant profit of \$150 minus your fee of \$20.

There is a certain *crossover point* at which the option becomes profitable to exercise. In this instance, it would be when the price hits \$1.07. Then the option is known as being "in the money".

If the price does not rise, all you lose is your \$20.

From the other side of the same equation, you can also sell a call option (known as "writing a call"). If you have a stock and believe that the price will not go up much, or go down, then you can write a call. You will either keep the premium, or you will get to sell the stock at the agreed strike price – a protective strategy if you believe the market will fall.

You can see how options enable you to *control* a much greater asset than if you only bought the shares yourself. If you had bought shares in our example, you would have only been able to buy 20 shares for your \$20 - and so would have only made \$4 when the price hit \$1.20.

If you do not own the stock, you can still write a call option - only in this case it is known as a *naked call*. This means that if the option is exercised, you must buy the stock on the open market in order to be able to sell the stock at the agreed strike price. A naked call option theoretically exposes the writer to unlimited risk - since whatever the stock has risen to, the writer will have to purchase it for.

## **Put options**

A *put option* works similarly, only the other way round with regards to buying and selling the stock: If you *buy* a put option, you are paying a fee for the right to sell stock at a certain price. Thus if the price goes down, your option will enable you sell at a price above the new market price. If you *sell* a put option, you are selling another trader the right to sell you the stock. If the market goes up; they will not sell - and so you keep the premium. If the market goes down however, they will sell you the stock at the strike price, and so you will essentially have to over-pay for a stock that is now worth less money.

## What's the difference between a future and an option?

A future means that the holder of the futures contract *must* buy or sell on the specified future date, whereas the holder of an option has the option to buy or sell on the specified date.

# Summary notes on options and futures.

Well, if you think that was complicated, that was the tip of the iceberg! This is a very basic explanation of options. Things only get more complex from here. There are numerous *options strategies* involving multiple options placed simultaneously - also there are numerous "exotic" options with variations in rules. See <a href="http://en.wikipedia.org/wiki/Asian\_option">http://en.wikipedia.org/wiki/Asian\_option</a> to boggle your mind with a list of possibilities!

Do not worry too much if you didn't manage to *get your head around* options and futures right away. It's a little complex - and if you feel that this is something you wish to pursue, you will need to do much further study before you can act with confidence.

If I have managed to demonstrate the idea that it is possible to make money regardless of the trend, then I will be satisfied. The next obvious question is this: In what other ways can one profit when trends are adverse? The specific answer to this will largely depend on the specifics of the trend in question - but the way to arrive at that answer is to look at the direct and indirect results of the trend.

For example, let us suppose that there is a trend towards shopping online. The *direct results* of this is that times are better for people in e-commerce, and more difficult for high street traders. However, there are often if not always *secondary effects* of

trends, things which might not be immediately obvious, but which can be discovered with some lateral thinking. In this case, a secondary effect might be that industries involved with packing and mailing goods will receive a boost. E-commerce must surely have increased the sale of mailing supplies such as padded envelopes and bubble wrap!

Again, if there is what would appear to be an *adverse trend* of any kind in world affairs - there is profitability in providing solutions to the problems.

If resources of one kind become depleted, other ones come into play. If oil supply is unable to meet demand; investigate which other industrial products are likely to be in great demand, such as biofuels and other alternative energy sources - as these could present important investment opportunities. Learn to ask the right questions, and move with the times.

My main point is this: with a grasp of principles and trends, and some lateral thinking, you can seek out niches that are likely to become highly profitable. It is all really the mechanics of supply and demand.

In uncertain times, you can see how flexibility is highly advantageous.

There are many other areas of investigation for the potential *speculator* which I have not covered - such as foreign exchange trading, commodities and forwards. I will say a few words about gold and silver below - as these are interesting times for precious metals. For the rest, there is much information out there, just a few mouse clicks away...

# **BUY AND HOLD VERSUS SHORT TERM TRADING**

A *buy and hold* strategy is a long term strategy that involves buying assets such as stocks - with the intention of capitalizing on the long term growth of the market. Such a strategy will minimize transaction costs (as there will be minimal transactions!) - and will essentially avoid the effects of market volatility.

The opposite strategy is employed in short term or *day trading* - where speculators attempt to read the peaks of the market, *buying on the lows and selling on the highs*.

#### PRECIOUS METALS

It's an interesting time. Stock prices have done everything except stay steady in the last few years. Hedge funds have found themselves in serious trouble. The dollar has been under pressure and there has been chaos in the housing market. Some are even whispering that *hyper-inflation* is imminent.

There's one area of investment that people throughout history have turned to in times of crisis, one that has long been associated with financial stability, and one that has been viewed as one of the most tangible, "real" forms of wealth since ancient times: The "Money Metals" - Gold and Silver.

#### **GOLD**

"Gold has the five characteristics identified by Aristotle we've talked about this at some length before. Gold is durable, divisible, consistent, convenient, and it has utility and value in and of itself. Also, it can't be created out of thin air." -- Doug Casey, "Conversations with Casey."

What *is it* about gold? It's easy to see why it is one of the oldest, most widely recognized, and most stable forms of currency. It is one of the most durable substances on earth. It is solid, and very heavy. It does not rust, rot, crack, chip or decay. It can be stacked many feet high without damage. It is waterproof, substantially fireproof (melts at 1064 deg. C without oxidation), and weatherproof. It has existed since ancient times and can be found naturally in its pure form. It retains its beautiful color and does not fade over time - and therefore has long been seen as a symbol of the highest, the finest, the best - even being used as a metaphor for spiritual perfection.

Gold is part of our heritage and is one of the most universally recognized forms of wealth in existence. It is easy to see why it was revered as the *gift of the Sun-God* by the ancients, and prized as a health restorative by medieval physicians and alchemists.

Current economic conditions would seem to indicate that a boom in precious and other metals is under way. Talk is all over town about how the dollar must fail: Gold and silver have proved themselves time and time again to be highly stable forms of money in times of economic crisis - and have retained their "purchasing power" in exchange for goods and services. Gold tends to rise in price when people fear losses in other market areas.

However, it's important to separate what's good advice from the point of view of the investor, from what is emotionally charged. I sometimes wonder if the "Gold crowd" has something of a fetish for gold, and whether their predictions are somewhat based on what they would *like* to see happen, rather than what is most likely to happen. It's important for the investor to put aside sentimental preferences and look at reality.

#### **SILVER**

The other "money metal", silver, presents a very interesting investment opportunity

right now - possibly more so than gold.

Many experts say that silver is undervalued and that when measured against the historical average, silver price when compared to that of gold is low and therefore due for correction.

Not only this, but unlike gold, silver is in great demand industrially, being used in a large number of modern high-tech manufactured products. Silver's many unique properties, such as its extremely high electrical conductivity, make it an industrial commodity in high demand – in particular in electronics and medical applications. The silver that has been consumed by such industrial applications is essentially unrecoverable and will not return to the marketplace.

This marks a critical difference between silver and gold. The worldwide demand for silver is higher than production, and stockpiles have been depleted over the past few years. In short, there has been something of a shortage of silver, and mining is barely able to meet demand. It follows logically that the price will rise.

There are all kinds of indicators which suggest that silver might *take off* in the next few years.

A common way to purchase silver is in the form of **100 ounce high-purity silver bars**.

#### THE NEW PRECIOUS METALS

There are fascinating new trends within the world of metals; and these trends are governed not by currency traditions but by scarcity and industrial demand.

There are several metals in current production which are known as *critical metals*. These are metals which are necessary for certain industrial processes. A good example is *indium* - which is used in the manufacture of flat screen liquid crystal displays. In 2005 Sony announced that they would cease production of *Cathode Ray Tube* displays - the old type of display from which flat screen displays have taken over. The market price of indium rose by over 900% between 2003 and 2006. Most retailers have now ceased selling CRT displays altogether in favor of LCD screens.

Demand for indium seems likely to increase, as it is also used in the new generation of *CIGS thin film* solar panels of which manufacture is commencing.

Other examples of obscure critical metals with high industrial demand are *tantalum* - used in electronic components, *rhodium* used in automobile catalytic converters and *neodymium* used in the new generation of high-strength *neodymium-iron-boron* magnets.

The new precious metals are those which are required by industry and for which there is presently no viable substitute; or those which have a demand which is greater than their supply. It would appear that such metals could make fantastic investments: Many of them have been making great gains in the last few years - and this trend seems likely to continue.

One of the risks associated with investing in areas of new technology is that there is always the possibility that someone might invent a new process which supersedes the current one and diminishes the demand for the commodity in question. A classic example of this is the gradual replacement of *tungsten filament* light bulbs with *compact fluorescents*. The world's supply of tungsten was dwindling – but the new lighting technology has diminished the demand.

If an industrial process is dependent on a resource which is in dwindling supply (and therefore making great price gains), you can be sure that there is strong motive to invent an alternative process which can be run more profitably.

The only thing I can say to this is that a knowledge of current science might help minimize the risks of obsolescence. For the keen observer of science, there are great possibilities here. Now, if you can only figure out which technologies are *here to stay*! In short, there is no such thing. Once again, everything has its curve, its rise and fall.

# Summary

I find the metals markets to be of immense interest. I even bought the domain name <a href="https://www.criticalmetals.com">www.criticalmetals.com</a> – what is known as a *keyword domain* (more on this in Part #5).

There are of course many other metals to investigate - a good web site which lists 35 primary metals with links to numerous articles is <a href="https://www.metalprices.com">www.metalprices.com</a>.

One such possibility is copper. China's apparent copper consumption rose by 36% in 2007.

The book of the future has yet to be written. It will be interesting to watch - and to speculate on - what happens next.

# Further reading:

http://www.streetauthority.com

http://www.fool.com http://www.monex.com

http://www.metalprices.com/FreeSite/metals/cu/cu.asp

http://www.minormetals.com/

http://www.resourceinvestor.com/pebble.asp?relid=36483

http://thegoldbugnet.blogspot.com/

http://www.investopedia.com/university/greatest/warrenbuffett.asp

http://www.investorsolutions.com/v2content/book/index.cfm

http://www.amazon.com/gp/richpub/syltguides/fullview/1F8ISMGIKCBM0

# PART #5 - THE INTERNET

"We've heard that a million monkeys banging on a million typewriters will eventually reproduce the entire works of Shakespeare. Now, thanks to the Internet, we know this is not true." -- Robert Wilensky

**Chapter 29 THE STUFF OF DREAMS (intro to part #5)** 

Chapter 30
ESSENTIAL PRINCIPLES AND CONCEPTS OF INTERNET
BUSINESS

Chapter 31
MAJOR METHODS USED TO MAKE MONEY ONLINE

Chapter 32 TECHNICAL FOUNDATIONS

Chapter 33
BUILDING QUALITY WEB SITES

Chapter 34 TRAFFIC

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SOME INTERNET COMPANIES THAT HAVE HIT THE BIG TIME
AND WHY

# Chapter 29 - THE STUFF OF DREAMS (intro

# INTRO A SEA OF TECHNIQUES SKYSCRAPERS AND HOUSES OF CARDS IMPORTANT INFO

#### **INTRO**

The internet is likely to be one of the key areas for modern entrepreneurs who have the goal of Making Money While They Sleep.

Online spending seems to do nothing but rise - increasing by 29% in 2006.

Use of the internet still seems to be going from strength to strength: Where will it end? It is currently gobbling market share from television, newspapers, magazines, even from telephone use with applications such as <a href="Skype">Skype</a> - which looking at my console currently has over 17 million users online.

Take a look at these stats: Internet advertising <u>was predicted to grow</u> to 12.3 billion in 2005.

At the end of 2007 it was a 25 billion a year business.

I believe that these trends will continue: It is my personal view that newspapers, ordinary telephones, compact discs and *television-as-we-know-it* are pretty much *toast*. I think the internet will erode them until there is nothing much left. Watch the curve; we'll see what happens. I know where I'm putting *my* investments!

I also believe we are at the beginning of an enormous curve of *mobile computing*. Devices such as the <u>Palm</u>, the <u>Blackberry</u>, and most recently Apple's groundbreaking <u>iPhone</u> have essentially *bridged the gap* between the telephone and the computer; and judging by their tremendous success, such changes in *the nature of computing* are welcome - as has long been predicted by futurists! I think that within a few years, with the advances in data storage, wireless networking, new interfaces and mobile computing hardware, people may well be doing much of their computing on "this clients" - small portable or wearable devices which access not just the *great computers* such as Google, Yahoo, Wikipedia and eBay; but also access the user's own *personal data storage banks* - which will either be on their own hard drives, flash memory, or stored on giant servers / personal data storage systems, and accessible

through wireless data transfer.

These changes are becoming more pronounced – and <u>Cloud Computing</u> seems poised to change the way we interact with information.

Now that the innovative *iPhone* has heralded the way, the mobile computer market will likely move as fast as the mobile phone market has done over the last 15 years - with new and more advanced models being introduced in rapid succession.

I also believe that further innovations in <u>voice recognition technology</u> and other methods of data input such as large, intuitive <u>touch screens</u>, will take over from the ubiquitous *mouse and keyboard*.

Computing will draw closer and closer to *the speed of thought*, and many users will be *permanently online* in one way or another.

It's something of a change of perspective, isn't it?

Data gathering and analysis methods such as *semantic indexing* will mean that computers will be more attuned to our individual likes and dislikes. More on this in Part # 6 - Automated Processes.

As this combines with robotics, and machines take away more and more of the *manual labor* from human hands, the *value* in human endeavor will be shifted further towards ideas, creativity and innovation.

The speed that an idea can travel around the world has increased immensely, and will continue to do so.

The *best ideas* have every chance of spreading widely. This concept has been called *idea diffusion* by writer Seth Godin – and he talks about this brilliantly in the famous **Purple Cow video**.

The internet *playing field* changes and evolves rapidly.

For the internet entrepreneur - what will all this mean? Possibly for some, it may mean great freedom: A business that earns money round the clock, with you able to monitor it and make adjustments from wherever, in real time, while money flows into your accounts via automated processes? It sounds like *the stuff of dreams*, but it really is pretty much here! This is a *tremendously* exciting time: Let's make the most of it!

#### A SEA OF TECHNIQUES

Part #5 of this book could easily have spanned volumes. But I chose to keep it down

to what I consider the essentials: Partly because the *underlying concepts* for much of this online work are quite simple to summarize; and partly because there is already a ton of free material out there for those who are looking to master any one particular discipline. I have presented as many techniques as I can think of, each with an overall description designed to enable you *to get your head around it*, and plenty of links to further reading.

Many of these techniques *dovetail* into each other and are intended to work together as part of an overall strategy. However, if you were to try to implement *all* of the internet strategies presented here, I think you would be completely overwhelmed. I suggest choosing a small number to specialize in and master: I believe this will in most cases be more profitable than *dabbling* in everything!

#### SKYSCRAPERS AND HOUSES OF CARDS

I will give you several specific techniques from the *current crop* which you might be able to implement right away to start making money. However, in general, I have steered more towards techniques that have greater *long-term viability* – because I believe you'll make much more money while you sleep that way. As already stated, I believe that you will be on your way towards greater wealth and freedom if you learn *principles* - and use these principles in order to develop your own techniques. This will enable you to stay more flexible, to change things up when it is needed, and to get ahead of the curve.

To seek only instant gratification is to miss the point, and ultimately those who grasp too hard after instant gratification are less able to build real wealth. Much of the make fast money on the internet material that is currently out there is to some extent a house of cards: It will not last very long. If you hop from one "overnight profit" scheme to the next, you are more likely to end up chasing your own tail.

So I'll endeavor to help you get some solid foundations in - and from there you can build out in the manner that suits your enterprise. Create your own "real estate" online: Building your own skyscraper is better than working in someone else's; and far better than building a house of cards!

You'll also find more reading on internet topics in my free materials - which are available on <a href="http://www.money-while-you-sleep.biz">http://www.money-while-you-sleep.biz</a>.

#### **IMPORTANT INFO**

Before commencing any internet-based business, it pays to be aware of regulations governing activities such as emailing, consumer privacy and online advertising. Know the rules! I have collected a few links to some useful resources:

<u>http://www.ftc.gov/bcp/menus/business/ecommerce.shtm</u> An overview of the FTC's e-commerce regulations.

http://www.joelcomm.com/new\_ftc\_regulations\_begin\_dece.html

http://www.business.gov/guides/e-commerce/ (USA)

http://www.out-law.com/page-431 (UK)

http://www.oft.gov.uk/shared\_oft/business\_leaflets/general/oft698.pdf

(UK - office of fair trading)

<u>http://www.ftc.gov/bcp/conline/pubs/buspubs/canspam.shtm</u> – The CAN-SPAM act: Requirements for Commercial Emailers.

<u>http://www.ftc.gov/opa/2009/10/endortest.shtm</u> – FTC regs concerning endotrsements and testimonials.

http://www.ftc.gov/bcp/conline/pubs/buspubs/secureyourserver.shtm information for servers – shut the door on spam

<u>http://www.ftc.gov/bcp/conline/edcams/spam/consumer.htm</u> – information for consumers – cutting down on spam

<u>http://www.ftc.gov/privacy/privacyinitiatives/financial\_rule\_bus.html</u> – financial privacy information from the FTC

<u>http://en.wikipedia.org/wiki/Cybersquatting</u> - make sure your site's name doesn't infringe on others' trademarks.

# Chapter 30 - SOME ESSENTIAL PRINCIPLES AND CONCEPTS OF INTERNET BUSINESS

THE CONCEPT OF THE SPOKED WHEEL
THE CONCEPT OF FREE STUFF
THE CONCEPT OF "IF YOU BUILD IT, THEY WON'T COME"
THE CONCEPT OF TESTING AND SCALING
THE CONCEPT OF NICHE DOMINATION
THE CONCEPT OF NICHE DOMINATION
THE CONCEPT OF DURABILITY AND WHY "GAMING THE SYSTEM" IS A POOR IDEA
THE CONCEPT OF DOMAIN AGE
THE CONCEPT OF "KEEP BUILDING"
OBSERVING THE COMPETITION

#### THE CONCEPT OF THE SPOKED WHEEL

The greatest internet successes often come through a combination of several techniques, disciplines or attributes rolled into a single, overall strategy.

Many try to achieve internet success utilizing a very limited number of techniques, or possibly only one - but this is often a mistake. You may make a little money this way; but my studies of those who have been most successful reveal that they almost always utilize a *suite* of disciplines and strategies, in order to create a *compound effect* where the whole is greater than the sum of the parts.

Not only this – but the most successful are continuously developing, testing and refining, keeping what works, discarding what doesn't, and in a manner similar to that of a *virtual* game of Monopoly, acquiring and developing as much *desirable property* as possible.

The most successful internet entrepreneurs usually run multiple web sites, monetize using multiple methods, and drive traffic using multiple techniques. By building up a large network in this manner, they are ultimately able to develop far greater volumes of traffic, many more customers, and a network with a far greater "reach". Internet marketing is very often vertical marketing on steroids!

So, rather than trying to profit by using just one isolated method (such as for example affiliate marketing or pay-per-click advertising) - I recommend the *spoked wheel approach*. This not only multiplies your results, but also helps eliminate *single points of failure*.

Methods of getting web traffic, ways to profit online or techniques of web site improvement can all be seen as spokes in the wheel, building the overall success of your business. So if you have a web site, you might employ several methods of getting traffic, several methods of monetization etc. simultaneously. Certain sites will be better for attracting visitors, and other ones perform better selling products.

The *hub* of your wheel is your *niche*, *concept*, *theme*, *product or service*.

In general, it is best to concentrate on one or a small number of good niches or topics. You'll need to focus your efforts in order to achieve strength – because it's far better to dominate one niche than it is to struggle in two. If however you are working within more than one *niche*, it is often best to see separate niches as *entirely separate wheels*. For example, let us suppose that you have two web sites - one is about guitars and the other one is about looking after horses. Unless you are a *global brand* (i.e. Virgin) or one with a very strong identity which is in itself a *cross-genre selling point*, there is often very little point in trying to link these sites to each other - as the visitors to one site will be unlikely to want to visit the other.

You may be able to find a theme which links all your web sites together and interests users of one site in your other sites. I used this technique myself: By creating a blog which told my "story" and discussed my overall internet marketing strategy, I was able to interest visitors in several web sites and products rather than just those within one niche.

#### THE CONCEPT OF FREE STUFF

In the internet arena, one of the most important current concepts to grasp, is the idea that one of the most powerful tools you can use to make a lot of money, is to *give a lot of stuff away for free*. This might seem to the uninitiated to be counter-intuitive, but in fact it is not. The idea is that having good, free content attracts visitors to your web site, and also develops the vital relationship of trust between you and your customers. If you don't think this is important, consider that Google's empire is entirely based on their model of giving superior web tools away for free, and then profiting by selling ad space on their vast amount of traffic. The *concept of free stuff* is so important that I have written it up in an entire *free guide* which is available on <a href="https://www.money-while-you-sleep.biz">www.money-while-you-sleep.biz</a>.

Several other educators - such as Eben Pagan - have discussed and made famous the concept of free stuff and it is now becoming a ubiquitous theme; but I have looked into it in great depth and discovered a different angle – and have evolved the concept to a whole new level which I believe you will find immensely valuable.

If you haven't already read this free guide, called "The Most Important Word On The

Internet" I highly recommend that you do so - I believe it will revolutionize the way you think about internet profits. <a href="https://www.money-while-you-sleep.biz">www.money-while-you-sleep.biz</a>

For now, bear in mind that having an easily accessible archive of *free stuff* gives you a tremendous marketing tool you can utilize in almost any situation. People *love* free stuff. They are not likely to be offended if you offer them stuff for free; many will be delighted; whereas *selling* is often considered socially inappropriate. Give them the free stuff first; and use this to introduce them to your work. *Let the free stuff sell the paid-for stuff.* 

A final bonus tip: Add an element of fun to your free stuff archive. Call it the vault or some other such thing. The more enjoyable and beneficial the whole experience is for people, the better the rapport you will build.

Be aware that this *curve* may not last forever. There's so much free stuff online now that having something free doesn't guarantee you a seat by the band.

# THE CONCEPT OF "IF YOU BUILD IT, THEY WON'T COME"

There's the famous old saying that everyone has heard: "If you build it, they will come".

With the internet, you can forget about this. It doesn't work that way online! There are hundreds of millions of web sites in existence!

Building a web site is like opening a gas station on a one-way dirt road in the desert.... you might get a handful of accidental, lost visitors, but not much in the way of real traffic. If you want web traffic, you have to *do something* to get it. In addition to good content, you need a *traffic* strategy: One that utilizes several techniques to pull in visitors from the *billions* that are out there.

A good way to look at this is to be aware that there are *superhighways* of web traffic, and there are *one way dirt roads*. Your task is to go to these superhighways and divert some of their traffic to your content. You need to put up some signposts.

<u>www.alexa.com</u> has a list of all the most popular sites on the internet. These should be your prime targets for diverting traffic - and each of these giant web properties has a set of methods specific to it, that you can use to get traffic.

I've devoted the whole of Chapter 34 to the art of getting traffic.

#### THE CONCEPT OF TESTING AND SCALING

Testing is a critical part of creating a profitable web site, advertisement or product. The reason for this is simple – by good testing you really can dramatically improve the performance of your marketing.

Changing things on a web page, sometimes even simple things, affects users' behavior. It is hard to *blind guess* what these factors are – and very easy to make assumptions about what will work best. However, by methodical testing, you can remove the guesswork and create campaigns which consistently perform better. Web site testing often reveals surprising results and the most successful designs, copy and images cannot always be predicted.

In the good old days, testing of marketing methods could be a laborious, slow and clumsy process. The good thing about internet marketing is that you are able to test, measure performance accurately and get very rapid results.

Now, with the advent of amazing analytical tools such as *Google Analytics* - a free suite of tools provided by Google for the analysis of web stats - you can literally make changes to a web page and often see within hours whether the site's performance has improved. More on Google Analytics in Chapter 33.

## Split testing

Split testing is another well-known test method. Rather than making changes and then noting and comparing results, with split testing you create for example two or more versions of the same web page or advertisement. These might be identical apart from one detail, such as the wording of the headline – or may be wildly different. Then, the split test runs both versions *simultaneously*, delivering one version of the page to 50% of web visitors and the other version to the other 50%. Then by tracking campaign performance, you can determine which version returns the best results. Often, results are surprisingly different – and can lead to dramatic improvements in your overall marketing. Split testing is often performed by *server-side software*.

There are many split testing tools out there – but a great example of a free split testing tool is <a href="https://www.google.com/websiteoptimizer">www.google.com/websiteoptimizer</a>

There are numerous factors which might be tested for better performance: site layout, keywords, color scheme, headline text, product price are a few that spring to mind.

Many people do not do any testing. They guess and make assumptions what they think will work. Very often, they may be partly right – but those who test can usually outperform those who don't; often by a huge margin. Testing methods are also usually highly revealing with regard to psychology, and the way people are affected by things like different words, emotions and colors.

# Scaling

The concept of scaling is very simple: By testing something out at small scale, you can

minimize risk and investment while experimenting with it until it works. Then, once you have got it working and have demonstrated profitability, you can *increase the scale of your operation*.

# THE CONCEPT OF DURABILITY AND WHY "GAMING THE SYSTEM" IS A POOR IDEA

A hugely important thing to bear in mind regarding internet wealth-building strategies is that many of them often have a short life-span. I have investigated this in depth - and made some important discoveries. I will outline these and offer suggestions as to which methods are likely to be the most durable.

With the huge, expanding number of people spending money online these days, there are of course fortunes to be made. As more and more of the world's business is done online, the potential opportunities are *staggering!* This has attracted many people to the internet who are seeking fast, easy methods of profiting - and so, typically of any "gold rush", there is currently a sharp trend towards *dubious tactics*.

There are a great number of such *grasping* tactics - and some people are looking to exploit inherent internet weaknesses, loopholes or user trends in order to make fast money; often with little regard for the *quality of experience of the end user*.

As a general rule in internet strategy: the closer an idea comes to "Gaming the system", the more short-lived it is.

The main reason why *gaming the system* methods are often short lived is because the larger internet companies and the web's governing bodies have a vested interest in preventing this sort of thing; as it undermines the quality of their users' experience - and ultimately devalues web property. The *big sites* - especially Web 2.0 sites and those with really massive traffic, are all under a continuous barrage of people seeking to make money from them - by more or less sneaky methods. They are thus required to update their security and algorithms on a regular basis. Google for example changes its algorithms often and keeps them top secret; it is attempting to preserve the quality of the user experience and stay one step ahead of the manipulation of search results.

Some internet users, often called "black hats" - take great delight in trying to outwit the big web properties and siphon their traffic without actually doing anything illegal. Every new defence, to them, is an opportunity to advance their skills and some black hats are *incredibly* technically accomplished.

I would be lying if I said that these methods do not exist. However, although I must admit that I admire the phenomenal technical prowess and sheer lateral thinking of the most advanced black hats, I cannot condone this as a path to go down: First because

these methods may infringe Terms Of Service and may even be illegal; second, these methods very often do not add much in the way of *real wealth* to the world; third because most of the methods get "shut down" very quickly, often without warning; and fourth because you are frequently forced to *trivialize your education* into areas of irrelevance - not really what I would call investing in yourself. I am sure that a handful of the most advanced *black hats* make fantastic money while they sleep - therefore I am duty-bound to mention them for the sake of completion. But it involves high risk activity - and black hats, even if what they do is fully legal, are often forced to work incredibly long hours in order to *stay ahead of the game*.

Overall, gaming the system methods are usually not the best path to success from a standpoint of pure profit! They are not likely to set you free in the long term. To achieve great success online, you generally have to think further ahead and be prepared to put more effort into creating content which raises the bar. And from a personal standpoint, the improved skill set you will achieve as a result will be a valuable bonus.

The true, consistent winners in the internet game have consistently shown themselves, time and time again, to be *the ones providing the best content and therefore the best user experience*. Whether your field is building software applications or whether it is adult entertainment: Quality content rules!

Valuable content stands a far greater chance of continuing to earn you money while you sleep for a long time.

Even if you object to the *high moral posturing* of certain big web companies, it is actually far easier to profit from creating a product that is useful to many people, than it is to profit through *parasitic methods* where there is always someone trying to *beat you down*. As Lao-Tzu might have said, why create resistance? Gaming the system is stressful. You always seem to end up always worried; fearful that your house of cards might come crashing down any minute. You constantly have to avoid others' efforts to *stamp you out*. Anyone who experienced the "Google slap" knows all about this!

It is too bad that so many people are now seeking to "exploit" the internet - to profit from it without thought of providing a product or service of any genuine value in return. Such activity devalues the internet and erodes its credibility over time. It also encourages what I call "the wrong type of thinking" about our place in the world. And furthermore - you really are far more likely to make money while you sleep if you concentrate on providing quality content and building popularity through excellence! It is easy to make money if you have created something that generally enriches people's lives and that everyone wants. It will be an easier sell than a second-rate product! It will be longer lasting. Also, it will be a more personally enriching journey. Hence, although it may take a little more care and time to prepare, it is an infinitely better path towards wealth.

It is still about building your own empire, and the best empires have the best foundations.

Choose niches you have a genuine interest in; and the study necessary to develop your content will have the tremendous secondary benefit of increasing your skills in this area. Build quality content; apply the principles of making money while you sleep; and if you *get it right* on every level, you really do stand a fighting chance of hitting the big time.

Some of the best, most long-lived, sustainable methods of making online profit involve 1) building *content rich* sites focused around digitally downloadable products. 2) building *web 2.0 sites with free membership* - which *empower* a community who will then do much of the building for you 3) building sites around a quality *real-world* product or service that you have already developed and 4) developing other tools which empower people – such as systems which *provide* usefulness, enable them to profit, or improve their lives in other ways.

So to summarize, I would recommend that if you are going to use *internet wealth-building strategies* - to bear this in mind:

- 1) If your business is *only online* and has no real-world product or service, it will likely be good for a few years at best possibly only a few months before you need to bring things up to date in a major way.
- 2) Take a chunk of the money you earn online and invest it in other forms of assets! Short term strategies can be used as effective parts of a long term strategy so long as there is awareness and a *plan* which addresses these concerns.

#### THE CONCEPT OF NICHE DOMINATION

"It's not what you do it's the way that you do it." -- Anon.

This subject is somewhat controversial. Many people believe that the *real online* money is only made in one of the big niches – such as *dating*, *gambling*, *health*, making money, or adult entertainment.

These niches are hugely popular and undoubtedly massively profitable for many – but although you will find a greater number of the public interested in them, there is also far greater competition, and so it can be difficult to *get the limelight*.

If you want runaway success, a key concept to understand is that of *niche domination*.

Worldly success has a tendency to be *skewed*. Within any given field, a few people tend to get 95% of the limelight, whereas the other 95% tend to get 5% of the limelight. It is simply the nature of things; and unless you are one of the *stars* who dominate the

niche, you will often struggle to achieve what might appear to be reasonable success. You might have 90% of the skills, talents and quality of one of the stars, but find yourself with only 1% of the limelight. Ever experienced this?

The best ideas and products spread like wildfire: People like to talk about *the best*, and don't give much attention to the second-best. Another aspect of this tendency is people's habit of *liking what other people in their peer group like*.

So, a few favorites often get all the attention – leaving the scraps to the others.

What might come as a revelation is that <u>all kinds of small niches</u> can be very profitable – but only if you are one of the *dons* of them. *Niche domination*, regardless of the size of the niche, will usually guarantee you a following. What niches can you dominate? Domination hinges first and foremost on one deciding factor: Authoritative content!

A good way to achieve niche domination... is simply to pick a smaller overall niche! In particular, you can very often achieve authority in a niche by *scaling down from a known profitable niche to a small sub-niche within it.* For example, if your niche subject was "making money online", rather than attempting to dominate this impossibly large niche, you might scale down to "making money online using Pay-Per-Click" - or even "Making Money Online using Google Adwords". If your niche was "pianos", you might scale down to the sub-niche of "Pianos made by a certain manufacturer" or during a certain time period.

By scaling down your niche you give yourself a greater opportunity to dominate the sub-niche and achieve authority.

And you may well be better off ranking number 1 for a less common "long tail" search phrase than number 1000 for a major one....

The other good thing about this is that it presents you with an opportunity to scale up your efforts in the future, by adding another site or new pages on *related sub-niches*. To continue the above example, you might include studies of other Pay-Per-Click search engines, or new pages with the pianos of another manufacturer.

I am doing this myself to great effect within a certain sub-niche. Having built one content-rich site and brought it to a point of profitability, it was an easy thing to build another "sister" site on a related topic. Then by interlinking these sites, you can build a network of related content and begin to dominate a greater niche and build real authority – one step at a time.

This is a powerful technique for a long term plan to dominate a niche. Keep scaling down until you can completely dominate a sub-niche; and then *move sideways* to build up a strong overall network.

I consider it highly advisable to pick a specific, highly targeted sub-niche of what is known to be a highly profitable overall niche – and dominate this.

Domination of a large niche is of course much more difficult and will take time - but of course is also potentially much more profitable. And this is a way to take it *one bite at a time*. As the saying goes "You must cut your coat according to your cloth".

In general, a good way to choose a niche is to pick a topic concerning which you have great knowledge or keen interest. Another good choice is to pick a topic you would like to learn about - as it will then be required for you to study and develop expertise in that niche in order to create good content within it.

Another way to find niches that have not been saturated is to look for niches of which the user base is still "coming online". Off the top of my head I can think of three user demographics who are *coming online* and are new to the internet – can you? Think age group and geographical location.

#### DOMAIN AGE AND EVERGREEN CONTENT

In the case of web sites, great store is now being placed on *domain age* – the length of time the site has existed for. This value exists partly because Google currently ranks sites with domain age more highly - but also because of *link building* and developing popularity through time. A site will take a while to *find its audience* and create its network.

It is often worth viewing a web site not just as a thing which "If I can't make it profitable within a month I am not interested". Think of it another way. If you create excellent content which is likely to still have value and generate interest in a few years time, you can create a simple web site for it, do some SEO and then almost set and forget. Although there is something to be said for keeping a site regularly updated with fresh content - many webmasters have found that sites they "abandoned" after not getting the interest they desired within a few months, started to pick up users a year or so later.

As a good quality site acquires *domain age;* it will rank higher in the search engines, more people will link to it, and it will gather momentum. You can always do a *traffic blast* (see Chapter 34) at any time and add some interesting new content to give it a boost. So maybe it would be worth thinking about creating solid foundations and content that will *stand the test of time.* 

Content that is likely to have value in years to come is known as *evergreen content*. It is a strategy that I have invested heavily in: I want sites that are going to provide me with automated income for years, not just for a couple of months. The problem with

blog posts is that "news quickly becomes old news" - and a current affairs commentary becomes almost worthless after a short time. You have spent your time creating intellectual property which has no long term value.

Consider Wikipedia pages. Can you imagine them becoming worthless? An authoritative site modeled on a encyclopedia-style pages, tightly focused around a subject – whether it is baseball players of history or types of flower - should continue to receive traffic and make money from advertising for years. Especially if its a topic that has less coverage elsewhere but a high number of search inquiries.

Advertising revenue from such sites may not be much to start with, but over the course of time, the profit made from such a site starts to add up as the traffic is often continual. The secret for this type of site is to get in there, for your niche, before others do.

As an exercise: see how rapidly you can create simple, good quality web sites which a) earn enough through advertising to pay for their domain name / hosting and b) contain great, authoritative or highly interesting content which is likely still to have value in five years time. The kicker here is to make these web sites particular to specific sub-niches of your main niche interest; and link them to your main sites to funnel traffic. A good *network* of such sites can become a highly powerful tool for increased traffic and profitability.

#### THE CONCEPT OF "KEEP BUILDING"

Although in one sense, creating web content involves an element of *waiting for popularity to build*, I recommend that instead of sitting back and waiting to see if your web site achieves success... keep building! Keep on adding quality content, creating new sites, developing new ideas.

The more good content you have on a site, the more likely you are to rank in search engines. And if you really feel that you have said everything you want to say - you can always move on to developing a new niche.

#### OBSERVING THE COMPETITION

A great way to learn from the example of successful sites is to use Google search. The most successful sites tend to appear at the top of Google's search results. It's a simple matter to type in a couple of keywords that are highly relevant to your niche and to take a look at what the competition is up to. See if you can determine what it is about the top sites that distinguish them from the inferior, less profitable ones.

There are several other neat tricks for observing the competition. One is **Backlink** 

<u>Checker</u> from iwebtool. This great little tool allows you to see all the sites that link to a site – and their pagerank. This not only gives you an idea of how many links you might need to obtain to get past them in the *Google rankings* – but also, if these are all the sites that have linked to your competitors, you might be able to get some links from these sites too! More on this in Chapter 34 on traffic.

# Chapter 31 - MAJOR METHODS USED TO MAKE MONEY ONLINE

A list of possible internet business venture concepts, tactics, etc to consider.

E-COMMERCE: USING THE INTERNET TO SELL A PHYSICAL PRODUCT OR SERVICE

SELLING INTELLECTUAL PROPERTY ONLINE
BLOGGING
DOMAINING
CREATING SITES AND SELLING AD SPACE
ADSENSE
AFFILIATE MARKETING
EMAIL LIST MARKETING
EBAY
SETTING UP AN AFFILIATE CAMPAIGN
EMBEDDED E-COMMERCE
SOCIAL MEDIA SITE MARKETING and Web 2.0
CREATING ONLINE COMMUNITIES / Web 2.0

# E-COMMERCE: USING THE INTERNET TO SELL A PHYSICAL PRODUCT OR SERVICE

SITE FLIPPING

The classic method by which this has been done is to put up a web site which advertises the product / service; essentially you are creating an *online sales brochure* and a means to purchase online - usually through a shopping cart system which allows credit card payments.

These types of web site are ubiquitous. The fundamentals of this technique essentially boil down to three: Good web site; efficient online transaction processing; and effective advertising / traffic generation.

A new method has evolved recently – that of *embedded e-commerce* – and there is a section on this below.

On the subject of design - you must obviously either design the site yourself, or hire someone to do it for you! Whichever you do (and I will discuss the pros and cons of

whether it is a good idea to create it yourself in Chapter 32), it is a good idea to create as much of the *content* as you can first. This means creating a *site blueprint*, writing text and creating any other forms of content you are going to use - such as video, audio or images.

Much more on this in Chapter 33 - Building Quality Web Sites, which breaks down the fundamentals of creating an effective web presence.

Even if you outsource the design work, there is something of a learning curve associated with selling a product online. One of the best methods is to look at the web sites of the most successful products and observe how they work their magic.

As far as advertising is concerned - there are a huge number of ways in which you might do this. Essentially, they all boil down to one thing; getting a high volume of visitors who are interested in your product. I cover this in detail in the Chapter 34 on traffic. As already mentioned, the most important thing to know is that you cannot expect that people will *just come* to your web site. You need to do something to *drive traffic* to it – and the best overall tactic involves giving something valuable away for free, then using the free stuff to do your selling. I once had a web client who had spent \$20,000 on a fancy web site for a retail business, and a year later had no idea why it wasn't making sales. It turned out they had absolutely no idea how to drive traffic, indeed they didn't even know if the site was getting traffic at all! The entire we development budget had gone on design, leaving nothing for marketing. They had effectively hired the designer without realising that marketing and design of a web site aren't the same thing!

If people already know about your product and will be *searching* directly for what you have to offer, it will be important to rank in search engines, and to have a *domain name* and *keywords* which are relevant to what you are offering. (More on domains and keywords below.)

If your product or service is new or not well known, you may need to concentrate more on advertising. There are numerous methods of doing this - both paid and free - which I will cover in Chapter 34 on traffic. The most important ones in this case are likely to be pay-per-click; creating pages at some of the major online communities and web sites; affiliate marketing campaigns; and getting links.

As far as setting up a shopping and automated payment system - I still recommend <a href="Paypal">Paypal</a>. It is used the world over, hence many people will understand and trust it. With Paypal, people can make payments either through a credit card or with a Paypal account, and the entire process can be automated. Paypal has information resources on the site to guide you through the process.

A classic article that reveals some of the insider secrets of e-commerce is this one: <a href="http://www.BlueHatSEO.com/from-affiliate-to-e-commerce-mogul-the-real-">http://www.BlueHatSEO.com/from-affiliate-to-e-commerce-mogul-the-real-</a>

### secrets-to-e-commerce/

### **SELLING INTELLECTUAL PROPERTY ONLINE**

This of course is one of *the* major routes that can be used to make money while you sleep!

The big advantage of selling digital products over selling a real world product or service, is that product fulfillment can happen via automated download - with no need for any actual shipping. Your store is open 24 hours per day, and the entire world is your marketplace. You do not need inventory or warehousing. Buyers are also motivated by the possibility of receiving their product instantly, rather than waiting for it to arrive in the mail.

This is a form of business that is expanding rapidly - more and more people are buying digitally downloadable products - and less are buying printed materials. So it saves trees too!

Digitally downloadable products could be anything from text files (usually PDF format) of books; video; software; music; graphics and photographic images; audio recordings of books or seminars; scientific or market reports.

Selling digital downloads can also be used as an adjunct to an existing business. For example, if you sell art, you might consider creating an eBook teaching others how to do what you do. This can either be given away as a form of advertising linking back to your site, or sold.

### Selling your digital product

In addition to hosting and selling your digital product entirely from your own site, there are a huge number of useful networks available to the entrepreneur. These can fulfill a number of essential functions - product hosting, secure transaction processing, and most importantly, exposure to a large network of potential buyers.

### For musicians:

If you are selling music downloads, I would advise using one of the many *digital* distribution services that get your music up on all the major download sites in return for a fee or percentage. Of these, the two I am fanatical about are **Tunecore** and **CDbaby**.

Even if you sell your work over these networks, it is still advisable to have your own web site – and some *virtual real estate* on the many social media networks such as

Facebook, Wordpress, Stumbleupon, Tribe.net etc. Create an attention-catching presence on these social networks and use it to funnel traffic to your web site. (Watch the Terms of Service – as some sites have linking policies). Then on your site, you can provide examples of your work, background info, and link out to the sites where your music is for sale. More on this later.

Many make the mistake of thinking that their task ends when they get their music up on the paid download sites such as iTunes. This is far from true. Unless you are already *in demand*, you will likely only get a small amount of traffic and sales through customers *discovering* your work through the distribution service. It has been shown that those who make the best sales are those who are best able to do their own promotion and drive large volumes of web traffic to their downloads. See Chapter 34 - *Traffic* for extensive information on how to do this.

If you sell music downloads as well as CDs, CDBaby might be the way to go. Their service has been specifically tailored to meet the needs of the independent musician. They will put your music up on over 60 major paid music download sites with no startup fees (other than the original fees for hosting your CD) and give you 91% of the digital download revenue! They also happen to be one of the coolest companies on earth - honest, reliable, impeccably transparent. Their integrity stands as a benchmark in stark contrast to much of the music industry and its *sharks*.

CDBaby will also sell your music *digital-only* - but they <u>advise against this</u> as you are limiting your sales to the digital portion of the market.

It is interesting to note that although the CD market is still viable, and will likely be for a few years, it is gradually, gradually losing market share to digital. 

Light read that iTunes – a digital-only service, has taken over from Wal-mart as the biggest music retailer in the USA. As always – watch the curve!

If you have a *digital-only release*, tunecore.com might be another good way to go. Tunecore charges fees for uploading music plus annual maintenance fees, gets your music on major download sites, and then gives the artist 100% of the proceeds from downloads.

Both CDbaby and Tunecore have incredible amounts of valuable free information available on their web sites to walk you through the process - and explain pretty much everything you are likely to need to know.

### For authors:

There are a number of *affiliate networks* that are out there which specialize in digital product distribution - and the one that I have used for the sale of this book is the excellent <a href="www.clickbank.com">www.clickbank.com</a>. In addition to a highly-trafficked marketplace and a secure online transaction system, Clickbank provides an automated system for affiliate sales: Registered Clickbank affiliates can search for and discover your product

from Clickbank's marketplace, examine your sales materials, and if they feel that they can profit from selling your work, can easily sell your product by placing their unique tracking code within special links to your sales page. This unique code identifies the affiliate to Clickbank and ensures that their commission is automatically paid.

Clickbank helps affiliates find you (they have over 100,000 registered!), handles the online transaction, automatically pays the affiliate the percentage you have decided to award them, credits your account and sends you checks in the mail automatically, fortnightly, if your balance is over \$100. They deduct very reasonable fees for their services. How's that for an incredible system?

I love Clickbank. I cannot think of a bad thing to say about them. At the time of writing I have never had a single issue with them.

### Creating and working with PDF files

PDF - which stands for *portable document format* - has become the industry standard for downloadable / printable web documents.

Through the experience of creating this book, I learned a few things which may be of value to anyone wishing to create PDFs.

To create a *basic* PDF file is easy if you are a Macintosh user. Open your document in *Word*, *TextEdit* or other word processor you have been using, and select File>Print. Select PDF>Save as PDF from the options. Voila!

For PC users, if you don't have the professional Adobe suite, you might try the free software <a href="http://www.cutepdf.com/">http://www.cutepdf.com/</a> (I have not used this). Another seemingly good description of a workaround can be found here: <a href="http://kenchiro.tripod.com/howtoPDF.html">http://kenchiro.tripod.com/howtoPDF.html</a>

### PDFs and embedded links

However... if you are a Mac user, there is a critical technical issue in creating PDFs - that of *embedding clickable hyperlinks* within the text. What a can of worms this turned out to be!

First, you must turn the required piece of text within a file into a link; this is the easy part - there is usually a function within a word processor to do this. In OSX's TextEdit, this can be accessed via Format>Text>Link.

In Microsoft Word, links which start with http:// are instantly recognized and converted into clickable links within your *Word Document* when you have finished typing the link and hit *enter*. You can then edit the text of the link to suit your text. Alternatively, you can select the text you wish to turn into a link, use the Insert>Hyperlink function and fill

in the URL that you wish to point to.

However, when it comes time to convert your word processor document into a PDF, some softwares have problems.

For Windows users, Adobe's PDFMaker software will generate clickable links, however OSX's built in PDF creation function described above, will currently not make links clickable from within the PDF. I have been informed that the Mac version of Adobe's PDFMaker software will also not generate clickable links - but I have not checked this personally (also a recent update might have solved this issue).

What can be done? One option is to move over to a Windows machine to finish up your PDFs; alternatively I have also read online that OpenOffice works, so this may be one to investigate - but have not tried this.

I have read that *Pages 2* (part of the \$79 iWork '06) for OSX will embed links properly in PDFs. Also, Adobe's free *Acrobat Reader* will recognize links that begin with *http://* - but not links which are embedded in regular text. (Source - <a href="http://www.macworld.com/article/53090/2006/09/embedpdflink.html">http://www.macworld.com/article/53090/2006/09/embedpdflink.html</a>)

Others have also warned that PDFs created on Mac *without* using **Adobe Distiller** will often not be able to be read on a PC.

Finally - after some research - I came across a great free software that does the job: NeoOffice. <a href="http://www.neooffice.org/neojava/en/index.php">http://www.neooffice.org/neojava/en/index.php</a> NeoOffice is a fully featured word processor for Mac that is available as a free download! And yes, using NeoOffice's File>Export as PDF function... hyperlinks work! And I tested a PDF created using NeoOffice by opening it in Acrobat on a PC, Foxit and Firefox — links worked fine!

I am not sure whether the issues with PDFs and links have been addressed in Leopard. If not, NeoOffice looks to be the answer for Mac Users. Note – I have downloaded and used NeoOffice for the creation of this eBook. It's pretty stable - there appear only to be a few *very minor* bugs - and at the time of proofreading, after many, many hours use I have only had one crash. (Due to my confusion over NeoOffice's method of file recovery, this actually resulted in NeoOffice reverting to an earlier document version; I had to redo about 3 hours proof reading work. Back up often!)

Further reading: http://en.wikipedia.org/wiki/PDF

# Final thought – translation

Something you might wish to investigate – getting your PDF / web site etc translated into other languages.

By only having your materials in one language, you obviously limit your potential audience considerably. Not only that, but some modern markets (such as digitally downloadable products) that have been developing for a few years in the USA, are much less developed in other countries; there is opportunity there and *new curves* waiting to be tapped.

This is not something I have done – only <u>read about</u>. A potential challenge might be providing customer service in a foreign language.

Another thing to be aware of is that web users from some countries have more money to spend than others. It is worth investigating *geo-targeting* and learning which countries are likely to be profitable.

### BLOGGING

Blogging for profit has become something of a buzz phrase in the last few years. The reason? Some of the most successful blogs have been <u>raking in fortunes</u> for their creators. The general formula for these blogs is to create compelling, bite-sized content which leads to high volumes of subscribers and millions of page views; and to convert this traffic to revenue with on-site advertising and / or product sales.

## Elements of a successful blog

Many of the most successful bloggers were already either established authors or columnists - or work in PR and therefore have an ingrained understanding of how to catch people's attention. It of course helps your blogging career if you are already famous - but the most important factor, is that people must find what you have to say interesting.

Some of the most successful blogs are clearly *sensationalist* in nature - but that is not an absolute necessity for success. The subject matter of the writing seems not to be as important as the personality and eloquent brilliance of the blogger. Your main goal, it would appear, is to sparkle - and to reveal a unique personality which others can enjoy through the window of your good writing. Your mission objective; to create a devoted fan base, who through subscribing, will return again and again - and will add your blog posts to the other popular social media sites such as <u>digg</u>, <u>technorati</u>, etc. Essentially, your *ideas* and commentary need to spark sufficient interest that people will wish to share them.

One of the keys to blogging success is to be prolific, and consistent. Some of the top bloggers post their thoughts and musings several times per day. It helps to have a series of blog posts written "in reserve" so that you always have some content you can post if you do not have time to write for a few days.

An interesting blog can be a very useful *adjunct* to a functioning web site: it creates a sense of community at your site, develops brand awareness, enables a high level of interaction between you and your customers - and can pull in a good deal of traffic.

### Technical notes for blogs

To set up a blog, it is highly advisable first to obtain your own domain name - rather than simply a generic address at typepad.com or wordpress.com for example. Please see the <u>Alex Newman Free Guide</u> "The Graveyard Of Dead Web Sites" for an interesting tale illustrating of the importance of a good domain name. This applies especially with a blog. The more memorable, snappy and appropriate the domain name, the better. The importance of this cannot really be overstated IMO. I use <a href="https://www.godaddy.com">www.godaddy.com</a> for domain names and usually seek to obtain a keyword domain.

If you already have a web site; or are intending to create a blog as *part* of a site, I recommend that you *install Wordpress* or a similar blogging application using your web host's *Control Panel*. So you will need to acquire the domain name first, obtain web hosting (I use <a href="www.hostgator.com">www.hostgator.com</a> and have found their service to be excellent), and then access the control panel. From there, open *Fantastico Deluxe* and install Wordpress or the blogging application of your choice.

If this is too technical or if your chosen web host does things differently don't worry - a good web host's tech support will be happy to help you out here. Hostgator's tech support have always been very helpful to me. If you intend to sign up with a web host it might be a good idea first to check what options they provide for blog platforms.

If your site is to be dedicated to the blog, install your blogging application at the *root level*; that way, when someone types in your URL (i.e. *www.yoursite.com*) the blog will appear. If you want the blog to be *one of the pages in your site*, you might install the blogging application at *www.yoursite.com/blog* for example, and link to it from the other pages.

# **Getting traffic to your blog**

There are various methods you might use to get traffic to a blog - and many of these are covered in Chapter 34. However, one of the characteristics that sets blogs apart from "ordinary" web pages is the ability for your subscribers to *syndicate* your content to other sites through the use of *social media site bookmarking*. A great free service to enable your viewers to do this is <a href="http://www.addthis.com">http://www.addthis.com</a>

By *tagging* your blogs with keyword tags, users help others to find the kind of content they are looking for.

Another essential is to use *RSS buttons* - these are typically provided by the blogging application and will enable readers to subscribe to your blog and have your new posts

automatically appear in their news reader as soon as you have published them. <a href="http://en.wikipedia.org/wiki/Rss">http://en.wikipedia.org/wiki/Rss</a>

A further tactic is to *ping* the services that publish blogs. This notifies these services that your blog has new content – which they can then publish on their networks. This can be done through services such as *Pingoat* or *Ping-O-Matic*.

http://en.wikipedia.org/wiki/Ping\_blog

http://pingoat.com/ http://pingomatic.com/

Further reading:

http://northxeast.com/blogging/nxes-fifty-most-influential-bloggers http://www.doshdosh.com/the-importance-of-social-media-marketing/ http://www.seobook.com/bloggers#structure

[Update – 2010 – seems that the heyday of blogging for profit might be over. There are too many blogs, and saturation point seems to have been reached.]

### **DOMAINING**

Domaining, also known as Domain Investing or Virtual Real Estate (VRE) is the art of buying, selling and otherwise utilizing domain names for profit.

The essential key to Domaining is to obtain the *highest possible quality* domain names for the cheapest possible price. Then, the main ways to profit from these domain names are either to *park* them, to sell them at a higher price, or to develop web sites on the domain name.

Domaining is occasionally considered a controversial pursuit due to the fact that domainers occasionally cross the boundaries into <u>cybersquatting</u> (profiting from a name that utilizes someone else's trademark or brand) and <u>typosquatting</u> (registering a domain name which is a common mis-typing of a commonly typed-in URL).

However, Domaining needn't in any way infringe upon someone else's intellectual property. A "this-is-not-legal-advice" explanation of the legalities of Domaining can be found <a href="https://example.com/here">here</a>.

# Scoring good domain names

You can use a service such as <a href="www.godaddy.com">www.godaddy.com</a> to register new domain names – and although many of the really valuable ones have gone, there are still some good ones out there. There are so many possible permutations of commonly used words that there are bound to be some desirable names that slip through the cracks - if only you can find them.

You might consider words or phrases which have recently come into popular use, buzz topics, or new industries - and create domain names based on them. Or, you might arm yourself with the "longer" version of the Oxford English Dictionary (which in my view is truly the ultimate word list currently in existence and one of the most amazing books ever created) and pore over its tiny text for ideas. You can usually pick up a good used copy of the OED on eBay. Otherwise it's largely a case of thinking of something brilliant that no-one else has thought of. Difficult – but if you do manage to think of a sensational domain name first, you might be able to score it for \$10 - and sell it for a huge sum...

".com" domain names are still the best way to go and fetch the highest prices when sold – although a good .com is correspondingly harder to find. ".net" and ".biz" are probably the next best – and of course if you have a web site that deals predominantly with local customers you could get one of the *national* suffixes - ".co.uk" for example if you are in the UK.

You might consider buying a name that is for sale, but undervalued. If you are willing to do some *brand development* you could then sell this name for more money.

The other main option is to re-register an *expired domain name*. There are countless domains expiring all the time - either because the owner forgot to renew the lease, or because they didn't care for one reason or another. If you are trying to get expired domains, you will often face fierce competition for the best names – as others too will be aware of their potential value. An example of a company that provides *expired domain purchasing services* is **www.pool.com**.

Special domain buying tip - Google "godaddy discount code".

# **Domain parking**

To park a domain usually means to put up a simple page with ads on it: In the case of an *expired domain*, it may still get some traffic from old links, and from *type-ins*. Keyword domains may also get some type-in traffic this way. There are services available such as <a href="http://www.sedo.com/services/tour\_parking.php">http://www.sedo.com/services/tour\_parking.php</a> which handle domain parking for you. (Note the amusing subheading of this web page!)

# Further domaining resources:

http://en.wikipedia.org/wiki/Domaining

http://dnjournal.com

http://www.domainersedge.com http://www.domaingraduate.com

http://www.domainerschoiceawards.com/polls.php

http://en.wikipedia.org/wiki/Cybersquatters

http://www.thelazydomainer.com

http://www.sedo.com

http://www.deleteddomains.com

http://books.google.com/books?id=6ULvk8NSIOwC&printsec=frontcover

### CREATING SITES AND SELLING AD SPACE

The concept behind this is simple. If you can create a web site which attracts plenty of traffic, you can host relevant ads on the site and profit with minimal further effort.

In practice, this technique takes a certain amount of skill and possibly a little genius to do well – however, the *payoff* is that once a site of this kind is profiting, you might look forward to a nice trickle of income for a period of time: You can *set and forget*, and then go and create another project while your site acquires *domain age* and hopefully pagerank plus increased traffic. Or you could move on to other methods to develop the traffic to your existing site. This is one of the main things to bear in mind about getting web traffic: There are many different ways to do it – and in theory your work here is never done as there are always more sites you could build. My list of ideas for web sites continues to grow faster than my ability to create them. I have some fantastic ideas for web sites which may never materialize – and I would suggest you start an "ideas document" where you can throw down ideas for web site themes and concepts.

Anyway the key to the "ad space" of site is to have a strong theme or niche, and put up some **valuable** free content which will attract large amounts of traffic. This might be a great blog, some useful free piece of software, expert / authoritative information, something highly entertaining, beautiful, sensational or otherwise desirable.

Certain niches seem to be perennially popular for this sort of thing. The big ones – such as dating, adult entertainment, making money online, gambling, losing weight - and these clearly have great profit potential as they are connected to primary human drives and desires. However there are *countless* niches from which you might profit; such as creating a site which reviews and compares web hosts (and of course features web hosting ads).

There are also all kinds of *novelty* sites which generate traffic through viral popularity – these really could focus on anything, whether it is entertainment or usefulness. The main requirement for these is that it has to be something that people get excited about and want to share. It might be worth trying to create a number of these sites in order to learn what works best – and of course to study those that have been most successful.

Another kind of site that uses the ad space model is a Web 2.0 Community site -

these can generate huge traffic and corresponding ad revenue.

Info sites which teach people how to do things for free are always popular.

As to the form of advertising you might use; there are a huge number of possible ad networks that you could sign up with. The more traffic your sites attract, the more delighted these will be to have you on board! The most common methods are to host pay-per-click ads such as Google *Adsense*, and affiliate links / banners. These topics are covered below. Please also see my **blog post** about monetization methods.

### **ADSENSE**

Google's Adsense is a system of advertising whereby you can host *Adsense ads* on your site - provided that your site meets Google's **content guidelines**. Google provides tools that allow you to create ads based on several formatting options. Once you have pasted the resultant code into your web pages, Google's advanced page crawling analyzes your pages and delivers ads which match the content of your site. It's a sophisticated system that's not too difficult to implement.

The actual Adsense ad content which will appear on your page is created by users of Google's *Adwords* who have selected the option to have their ads appear on the *content network* – and these advertisers have bid a certain *price per click*. If someone clicks on the Adsense ad on your page, part of this click revenue goes to Google and part goes to you. Thus it is in Google's best interest to find ads which match the content of your pages and are likely to be clicked. They do this with great accuracy.

I found that keywords in the URL of the page and the <title> tag have a far greater effect on the content of the ads than any other factor.

Adsense is often touted as one of the best ways to make automated income online: It is possible to make **good money** with Adsense - and there are a few people who are making **extremely high incomes** from it.

However, due to other complications, I find it difficult to recommend as a completely viable strategy. Others have had great challenges and had their accounts terminated: Adsense has a **complex set of rules** as to what you can and cannot do with the site, and it is known that many accounts have been closed at the "drop of a hat", with all funds in the account being lost and appeals meeting with little goodwill.

The most famous case was that of Aaron Greenspan, who sued Google for terminating his Adsense account without warning. If you are interested in Adsense, his <u>article</u> (and the subsequent important follow-up) is an absolute must-read.

Adsense has one of the highest earnings-per-pageview (eCPM) of any advertising

system out there. However, it is unstable income – and tempting as it may be to base your entire revenue generation on it, you must expect that anything could happen.

Fortunately, your content is still your content and you can still monetize it with other methods.

I would advise using Adsense as a supplementary income if you already have web site(s) which are attracting a lot of traffic. I would not advise *creating sites in order to profit from Adsense* – and Google themselves state that creating sites for the sole purpose of displaying Adsense ads is a violation of their terms of service.

I certainly would not advise becoming *in any way* reliant on your Google income. I would also strongly advise against attempting to *game the system*: I am sure you will get shut down. There will always be a few who are highly technically advanced who will be able to find a way round the defenses – until the next algorithm change - but for the vast majority it is not a sensible option and will lead to incredible time-wasting.

### **Alternatives to Adsense**

Although Adsense is the market leader, there are many, many alternatives. And a good number of these are less strict in their *terms of service* – although you will have to verify this information for yourself as there are too many for me to summarize here. An excellent, giant list of these alternatives can be found here: <a href="http://www.tech-faq.com/google-adsense-alternatives.shtml">http://www.tech-faq.com/google-adsense-alternatives.shtml</a>

# AFFILIATE MARKETING (i.e. being an affiliate for another's products)

(Very important – the Federal Trade Commission has ruled that affiliates must "disclose their relationship" with the company whose products they are recommending, to the consumer that they are selling to. In other words, if you are recommending a product of which you are an affiliate, you must notify the consumer that you receive a commission on sales / that you are representing that company professionally. Note – this is not legal advice.) The original FTC article can be found here.

To be an affiliate means to market the product or business of another company for profit. Typically, an affiliate is compensated when a customer whom they have sent, makes a purchase (this compensation method is known as CPS or Cost Per Sale) - although some affiliate campaigns compensate the affiliate when a customer completes some other *action* – such as filling in an application form. This is known as CPA (Cost Per Action or Cost Per Acquisition).

A very common way to work as an affiliate is to sign up with an *affiliate network* such as **Clickbank**, **CPA Empire**, **Hydra Network** or **Linkshare**. These networks present

the affiliate (typically known as a *publisher* because they publish the advertiser's ads) with a large array of products which they can potentially sell on a commission basis. Signing up usually involves a little work - filling in a detailed form, and often W9 or similar tax forms. I have provided a further list of links to a few major affiliate networks below.

Another way to work as an affiliate is to sign up for the affiliate scheme of a particular company directly. Affiliate schemes are very common nowadays and so there are countless options. Well known affiliate schemes include <a href="https://www.amazon.com">www.amazon.com</a>, <a href="https://www.amazon.com">www.amazon.com</a>, and <a href="https://www.beatport.com">www.beatport.com</a>.

As the quality and profitability of any given affiliate scheme can vary enormously, it is worth doing a little *online due diligence* and getting some opinions on any given scheme – and you should be able to do this with a few searches.

If you already have a web site that has a lot of traffic, it makes good sense to find an affiliate scheme – in particular one that is appropriate to the kind of visitors that view your site – and hosting their ads. Thus if your site is about golf, find a golfing product manufacturer with a reputable scheme, and so on. You are obviously much more likely to achieve *conversions* if the ads on your page are *relevant* to the content – but ultimately, the best thing to do is to experiment and find out through statistics which affiliate schemes / networks are the best performers for you. These results will undoubtedly be unique to you – what works for other sites will not necessarily work best for you – as your sites will have their own unique user demographic.

You might of course work backwards – by finding an affiliate scheme that pays a good commission, has a product that you have an interest or enthusiasm for, and is known to make good money for affiliates; then building a web site / promotional campaign around it. Such a web site should focus on the interests of the demographic who are likely to buy that product, and offer them some free content / valuable info etc.

# Where to send your prospects

Essentially, the *great work* of affiliate marketing is that of getting targeted traffic – the traffic chapter below covers the techniques required. This traffic is often directed to a *landing page* which is constructed specifically to get the reader interested in the product before guiding them to the affiliate link. Or, the traffic could be sent directly to the product's landing page - "direct linking".

A vital concept is that of *education* of your prospects. It is one thing to find people who are already seeking a product and are *ready to buy*. However, it is another art to take someone who is unaware either of the existence of the product or of its benefits to them; and by providing valuable information "pre-sell" them; bring them to a state of *readiness to purchase*. Some companies who have created affiliate schemes have done an excellent job on their own sites, of *converting* visitors into customers; in which

case your task is primarily to *drive traffic* to their site. In other cases, your ability to sell a product may require more educational and promotional effort. Focus on the customer, and the ways in which the product may *benefit* them. And if you find yourself not *believing in* the product, pick another one! People have an uncanny radar for whether you really believe in a product; genuine enthusiasm makes a huge difference to sales.

### Direct linking - pros and cons

[Important note - as of 2009, some major search engines have rules that their services cannot be used to send traffic to affiliate URLs. As far as I know this includes Google and Yahoo. Yet another example of internet methods being short-lived...]

Sending affiliate traffic directly from Pay-Per-Click advertising to the advertiser's landing page is known as *direct linking*. This has been made to work successfully by some affiliates – however in general, the consensus seems to be that it is more challenging to get conversions. I certainly found direct linking to be very hit-and-miss and never managed to make great success through it – however with new methods of *keyword tracking* becoming available (see below), there may be great potential opening up here.

If you send traffic through the *funnel* of your own site and your own landing pages, you can also capitalize on their visit in other ways such as inviting them to join an email list, giving them other valuable information, developing your own brand(s) and advertising other products.

Another reason why it is advisable to send traffic through your own landing pages is that it is easier to track which keywords result in conversions. However with new software such as the brand new **Prosper 202**, it looks as though these problems are on their way to being entirely solved.

There's also the issue of preventing others from seeing which keywords you are using – and "stealing" them. Here's a great <u>article from the Rich Jerk</u> on this and some further interesting points.

# Affiliate tips

• One thing that is so very often agreed upon with regard to affiliate success is that a small number of affiliates are making huge piles of cash, whereas a large majority are struggling to break even. Be aware that many of the "superaffiliates" either a) already have high-traffic web sites and simply need to "plug in" an ad system in order to make more money from it than a small-timer ever can, or b) are masters of buying cheap, targeted traffic.

It takes persistence to find the "gold mines". And a determined attitude to keep on

testing, experimenting, refining your methods, honing your campaigns and being scientific. It is not always easy to predict which methods will bring success, and what works for others may not work for you and vice versa. The only real way to be sure is to try things out — different campaigns, different ad networks, different keywords, different ad text, different landing page design... and so on. All the affiliates tend to agree that you have to be prepared to spend some money in order to find what works: You'll need to get some statistics in order to fine tune a campaign — and it is the fine tuning, typically, that makes or breaks the campaign. As with other things, don't be misled by lucky fluke results. If it was a fluke then you didn't really understand. Real success is usually methodical and replicable.

- One way to recognize a superior affiliate scheme is to check out the *sales materials* they provide for their affiliates. The best affiliate schemes go to great lengths to help the affiliate to sell the product. It makes sense; the affiliates' success is their success. Good sales materials will not only give you banners and template ad copy you can use, but will also list many different methods you might use to generate sales.
- Similarly, it is highly advisable to make personal contact with the company and speak to the Affiliate Manager or someone in a similar position. These people are there to help you and will often reveal methods which you might use to maximize affiliate revenue.
- Look at the affiliate sales materials of several other companies for affiliate marketing ideas. It is in the interests of a company to make materials readily available which assist affiliates in making sales. You can use the affiliate pages of many companies for some great research. If a company has an affiliate program, these materials are traditionally found from a small link marked affiliates usually somewhere at the foot or header of the home page. The materials on these pages will also give away some essential traffic secrets...

# **Link Cloaking**

This is an interesting – and controversial - topic. It was also one on which I found it very challenging to get reliable information.

It has been shown that some people dislike affiliate links. This is partly due to deceptive *stealth marketing* tactics some affiliates have used in order to get people to click their affiliate links; but some people just seem to resent paying a commission to someone selling a product – and may even *edit the affiliate link* either to prevent the affiliate from receiving their commission, or by replacing the affiliate code with their own, to receive the affiliate commission as a discount!

It would appear that affiliates, in some instances, might not be *flavor of the month*.

Now you may not be being deceptive, you may simply be attempting to advertise

some good merchandise – and so why should you suffer?

Link cloaking methods are ways to disguise affiliate links. This might be done for several reasons: Such as wanting to "pretty up" long, unattractive looking links; or, in the case of the method known as *URL redirects*, with a view to preventing others from spying on campaign keywords by adding another step in the chain.

However, in the light of the FTC ruling (mentioned at the beginning of this section) – affiliate link cloaking methods seem very likely indeed to fall under the FTC category of stealth marketing.

It would therefore appear to be highly important to notify people that your affiliate link is an affiliate link. This might diminish sales a little, but it'll keep you on the right side of the FTC. And customers who know their salt will appreciate your honesty.

At first I found it difficult to ascertain whether an easily-reached linking policy page would suffice; or whether each affiliate link should be declared separately in situ. There doesn't appear to be much info available on this subject online... it is one of those areas in which the internet appears to be the Wild West. It would appear that affiliate links that actually include notification of their nature, are in the minority and that many people simply are unaware of the FTC guidelines!

However, after much digging I finally found the following 83-page guide from the FTC on "dot com disclosures":

http://www.ftc.gov/bcp/conline/pubs/buspubs/dotcom/index.pdf

All I can really say is that you'd better follow the contents of the above mentioned guide. And if anyone has further information, please let me know and I'll update this section for the 2<sup>nd</sup> edition...

For now, I'll err on the side of caution and continue declare my affiliate links *in situ* - and I can only suggest that you do the same; and of course seek professional / legal advice where applicable.

Here are links to interesting articles on the technical part of the subject:

http://www.shoemoney.com/2007/08/09/link-cloaking-the-why-the-where-the-howhttp://www.shoemoney.com/2008/02/12/guide-to-link-cloaking-masking-and-url-redirection/

# **Summary**

Being an affiliate is an easy way to get started in making money online. A few final points: Never use spam; understand the huge difference in conversion between targeted and untargeted traffic; and create quality affiliate *landing pages* that educate, inform and inspire – rather than just trying to sell, sell, sell.

I've also created a really page for affiliates with many further ideas for ways to promote products at <a href="https://www.money-while-you-sleep.biz/affiliates.html">www.money-while-you-sleep.biz/affiliates.html</a>

Here's a **really great article** on affiliate marketing from UberAffiliate.

A few well-known affiliate networks to get you going:

<u>http://www.affiliatescout.com/affiliate-networks</u> - this lists a large number of networks.

www.clickbooth.com

www.clickbank.com

www.linkshare.com

www.azoogleads.com - this is a CPA based advertising company.

www.hydranetwork.com - another CPA based advertising company.

A few good company affiliate schemes:

http://affiliate-program.amazon.com:80/gp/associates/join – Amazon

https://www.beatport.com/en-

US/html/corporate/document/detail/4/affiliate program - Beatport

http://www.hostgator.com/affiliates.shtml - Hostgator

### **EBAY**

I have already covered this in chapter 18 - and also you will find more material on eBay in my Free Guide to Ebay – available through <a href="https://www.money-while-you-sleep.biz">www.money-while-you-sleep.biz</a>

### **EMAIL LIST MARKETING**

"The money is in the list" -- Anon

There's currently a lot of excitement about email list marketing – and for good reason: The *big names* are *still* using it to pull down spectacular scores. Many of the famous *six or seven figure launches* that we hear so much about in the internet marketing field, are based on email list marketing.

Most people get too much email already – and you might have heard people joke "I'm just going online to check my spam."

Anyone who has had an email address for even a short while, becomes wary and automatically a little defensive over signing up for a new email list: They know it could mean *more inconvenience, more deletion*.

So, being an avid watcher of the rise and fall of practically everything, I used to think "How can there be any future in this email marketing thing – people are sick and tired of getting too much email!"

However, *curiously enough*, I think that the spam phenomenon might actually have had the *opposite* effect on email marketing – and caused it to grow in effectiveness!!

The fact that people are a little wary, yet still prepared to sign up for something if they are *truly* interested, acts as an effective *separator* of those who are *really interested* from those who don't really care. And this *filtering effect* results in an email list worth its weight in gold!

If someone is prepared to *put up with the possible inconvenience* of *whatever you are going to send them*: These are your buyers. These are the people who are worth your attention, your marketing efforts, your best content. If someone is *interested enough* to write their email address in a form field and sign up for your email, they are *really* interested in what you have to offer!

Email list marketing therefore presents a fantastic opportunity to develop *a highly targeted list of leads* who are much more likely to buy. And then, when you have a list of hundreds or even thousands of *targeted leads*, you can often promote your products with *tremendous* success – at no further cost!

The difference in *conversion rates* between those on an email list and those clicking some online ad is enormous.

Not only this, but once they have signed up, you can keep sending them stuff for as long as they are members of the list. When you create a new product, you can market it to all these interested people *for free!* When you have a new free gift, you can put it on a web page and by notifying your list, send a flood of traffic to it.

You see how valuable this is?

### Make it worth their while

People are a little *touchy* around email. They can get really irritated by *junk email, spam or hard-sell content.* 

The key to overcoming this resistance is first to get people's permission to send them email, through the use of a *double-opt-in* process (this is essential – more on this below) – and then to send information that they *actually want*. Make them look forward to your email by delivering great stuff. It's really important not to annoy them – or you'll lose them. Concentrate on making it a win-win, on building interest, excitement, anticipation. And let your *personality* shine through. Find the people

who *like you* – and make them like you even more by giving them something of real value.

There's no point in trying to grasp too hard to catch subscribers who are not really interested. Let them go. Don't try to *trick* people into joining your list, or hype beyond what you can actually *deliver*. Concentrate on getting a high volume of targeted traffic, *filtering* and getting the ones who are really interested "into your funnel": And then *keep* their interest and excitement with... great content. Email marketing also presents an opportunity to add a personal touch to your communications – and to make people feel like they are networking with a *real live person*. The magic word is *rapport*.

The best format within which to do this is often not to put all the content in the follow-up emails, but put it on web pages which the emails link to. Begin the email with a highly clickable subject line and short, attention grabbing introductory text which summarizes the free content. Make them click a "more info" type link in the email and visit a page on your site to get the full article / video / whatever. And then from the web page, you can remind your subscribers about your for-sale content.

Tip – don't be tempted to send email subscribers from one niche, information that relates to another niche. You might annoy a lot of people that way. Create separate lists for separate niches. The popular email autoresponder softwares usually allow you to do this easily.

# Lead acquisition

The best email list marketing methods are therefore those which cheaply attract a lot of targeted traffic, and then *filter* this effectively to harvest those who have very strong interest, whose *need* for the product or service is the greatest. This process is known as *lead acquisition*; and in this sphere, the initial measurement of the *conversion success* of your marketing shifts partly towards how many leads you acquire, rather than how many sales you make.

Use the traffic strategies of Chapter 34 to direct traffic to your *squeeze page*. More on squeeze pages below.

### Automated email list tools

It is practically essential to use a good *email list management tool*. I have to take a second to *rave* about these tools – and to lament that I didn't start using them years ago.

These tools, usually known as autoresponders, provide you with customizable email address harvesting forms which you can host on web pages. Autoresponders enable

you to manage your lists, and to set up automated email sequences. These sequences might for example deliver a pre-written daily tuition course to someone for seven days after the date they subscribe. Autoresponders also enable users to unsubscribe automatically if they wish to. Typically, you will pay a monthly fee for the service plus a little extra if your list builds serious volume.

Email list autoresponder tools are a classic example of tools of automation - part of the fascinating subject of automated processes, which I describe in detail in Part #6.

Two of the *main contenders* are <u>www.aweber.com</u> and <u>www.getresponse.com</u>. I use Aweber – but honestly, after a thorough investigation of both, I could have flipped a coin. Both these softwares appear to do the job excellently – and I am sure that I would have been happy with either.

### The squeeze page

One of the keys to email marketing is to create what is commonly known as a *squeeze page*. This is a type of *landing page* which, rather than focusing immediately on forsale products and presenting all the other pages and options of the web site for investigation, essentially offers the opportunity to gain some highly desirable free content, in return for just one tiny little thing....

### An email address

On a squeeze page, there are typically *no other exits* from the page apart from the email *submit* button and essential / legal information such as Terms of Use and Privacy Policy. The customer has a simple choice to make: *If you want more, you have to give me your email address. If you don't, you have to hit the back button.* 

The way to make sure a good number of them don't hit the back button is... you've guessed it... to offer them something free and really desirable.

Here's an example of one of *the* most famous, and successful *squeeze pages* ever: <a href="https://www.doubleyourdating.com">www.doubleyourdating.com</a> It's a masterpiece! [Note that this is an updated version. The original didn't have video, just a short page of words. Unfortunately the original is not available for study at archive.org ]

A good strategy here is to offer something free that is *highly targeted and relevant to those who are actually going to buy your product*: That way, your list becomes much more highly streamlined towards those who have an interest in what you are going to be offering for sale.

A good squeeze page includes some sort of system designed to discourage the customer from entering a false email address. A typical way to do this is to notify them that you will send a *confirmation email* which will include the keys to access the

main site; or that they must confirm their email address by clicking a link in the first email your autoresponder sends, in order to receive your "free course" or whatever. The visitor has to enter a real email address to move forward. This technique is known as a *double opt-in* – very highly recommended as it ensures to a much higher degree that the people getting your content are the ones that want it. You will get far fewer spam complaints this way.

This is the reason why email list marketing is also known as *permission based marketing*.

It's more important than ever to be *anti-spam compliant*. Please see the FTC's regulations: <a href="http://www.ftc.gov/bcp/conline/pubs/buspubs/canspam.shtm">http://www.ftc.gov/bcp/conline/pubs/buspubs/canspam.shtm</a> – The CAN-SPAM act: Requirements for Commercial Emailers.

Typically, a squeeze page is *short and to the point* and all the info exists *above the fold* – unlike a *landing page* – which is usually long... *really long*... and basically packs in about as much info and excitement as you can possibly stand. Here's an example of a classic, highly successful *landing page* to show you the difference. <a href="http://www.nicheannihilationmethod.com">http://www.nicheannihilationmethod.com</a>

If a long *landing page* also includes an email submission form, this is often placed at the top of the page or in a floating pop-up window.

More about *landing pages* in Chapter 33.

It has been shown that those who are going to buy, are much more likely to read longer sales materials – whereas those who are only at the point of *curiosity* will often be happy to make a rapid decision to *investigate further* - if it doesn't cost them anything.

The *pop-up window* is a classic method of *harvesting email addresses*. Personally, I can't stand these things. When they float down in front of a window or whatever they do, I find it irritating, intrusive. Still, I guess it must work otherwise it wouldn't still be popular.

### The club

If you manage to create a loyal, double-opt-in, niche-specific list of several thousand subscribers, all kinds of other potentially profitable opportunities present themselves to you.

You can recommend other excellent products to your list – and in a Joint Venture scenario, others can do the same for you.

You might for example also request an interview from some other famous person

within your field, you could make this into a downloadable product – and in return generate a tremendous amount of publicity for the person you are interviewing: Another win-win joint venture.

You can link to affiliate products.

You can *up-sell* to your list when you create new products.

Welcome to the club!

### Summary

Email marketing is currently one of the best methods to make money online – and while you sleep. Once you have a list of thousands of subscribers, you can possibly make money either almost completely on auto-pilot through the autoresponder sequence, or at the push of a button when you send new email.

But remember the curve theory from Chapter Six: Is it a bandwagon? Everyone's currently talking about it.

However, in contrast to many of the other methods of online marketing, email marketing has been around for a while. It seems to have a much greater durability than other internet methods. Email itself appears to be here to stay.

At some point, I imagine it may well get saturated and the big players will move on to something else, leaving the scraps for the pigeons. We'll see how long it lasts. I think it's good for quite a few years though.

The biggest factor against email marketing is the fact that many people are getting frustrated with the amount of *junk mail* that they receive. The best way to counter this? Make your emails valuable. Give people something worthwhile to read. You want them to look forward to hearing from you.

### Further research:

One of the real masters of *Email Marketing* is the character known as *Rappin' Matt*. I discovered a fantastic story of how Rappin' Matt took a struggling newbie online marketer with a new product and helped him to achieve a *six figure gross* in the first *two weeks* of his product launch. I *highly* recommend listening to the interviews in the links below – it reveals a *ton* of information on email marketing; and it all sounds completely genuine. These interviews were a revelation - fabulous information:

http://www.emailrebel.com/launch/interview1.html http://www.emailrebel.com/launch/interview3.html Another piece of interesting research: Go to Google and type in "the money is in the list" with an *exact phrase* match. 127,000 results!! Pick through some of these results and you are *bound* to score some useful email marketing tips.

http://www.sitepoint.com/article/principles-beautiful-html-email

### SETTING UP AN AFFILIATE CAMPAIGN

This can be a complex undertaking – but the potential rewards are high.

In order to attract affiliates to sell your product, there are quite a few things which have to be *right* first.

Your product will need to be good, and ideally have some proven track record of sales and consumer satisfaction. Also, your *onsite sales materials* (such as your landing page) will need to be really strong and have the power to *convert* visitors into sales.

### Why will the affiliates choose you?

Your product needs to present a good *profit potential* to your prospective affiliates: There are a lot of affiliate products out there - and they have a lot of choices.

In addition to getting results and conversions from on-site products and sales materials, the best affiliate campaigns provide a *lot* of support for their affiliates; they really do dedicate as much effort as they can to helping them out. "*Their success is your success*". Good affiliate campaigns provide assistance, and a whole host of materials such as banners, ad copy, sales letter templates and keywords which the affiliate might use. By *doing as much of the work as possible* for them, your present your product as an *easier sell* and are more likely to get the affiliate to sign up.

A really good affiliate campaign will manage to get affiliates *excited* both by the product itself and by the potential to make money. A brilliant example of this is <a href="http://www.water4gas.com">http://www.water4gas.com</a> - which is currently going *through the roof* on Clickbank.

# Campaign research

A good idea before doing any design might be to look as some of the top affiliate campaigns and see what they have in common. A great way to do this is to go over to our dear friend, the <u>Clickbank Marketplace</u> - which allows you to see which affiliate campaigns perform the best! Once you have the Clickbank Marketplace open in front of you, set the "Sort by" option to "High Gravity." Select a "Category" - doesn't matter which one. Then hit "Go".

This will show you some of the top performing affiliate campaigns on Clickbank. If a campaign has a gravity of over 200, it is banking some *serious cash* – and a high number of affiliates are making sales. The point is; these affiliate campaigns are working brilliantly.

Next step: take a look at both the "pitch page" (this is the *landing page* or sales page that potential customers will arrive at when they click a Clickbank affiliate link) and the *affiliate materials* of the campaign.

Many of the best affiliate campaigns show a direct link to their affiliate materials from within the Clickbank search results. If the affiliate pages are not reachable from the search results, you can usually find them by going to the pitch page and looking for a small link – typically at the top or bottom of the page – which says "Affiliates go here" or "Affiliates - make money" or something similar.

Go to these pages and examine them thoroughly. Note the great efforts that the best performing affiliate campaigns go to in order to make the task of their affiliates as easy and as successful as possible. Very often, these companies will have marketed a product themselves and learned what works before starting an affiliate campaign.

The tactic described above is the best method I can think of for *campaign research*. You don't often find places where people are so eager to reveal their most successful sales methods. And if a product has *high Clickbank gravity*, you can be sure that these materials are effective.

Of course, you will need to create your own sales materials and not plagiarize others' copyrighted intellectual property. The kind of research mentioned above is intended only to give you indicators as to the types of techniques which have shown themselves to be effective; you will still need original (or copyright-free) content.

# Advanced tactic: Getting super affiliates / email marketers on board with Joint Ventures

Don't try this one unless you have all your ducks in a row: Your product has to convert, have *proven success*, and you have to have a good email list.

As mentioned above in the *email marketing* section; when your product is bringing in some good revenue and you have a list of perhaps several thousand targeted leads, you might approach other highly successful marketers *within your niche* personally, and invite them to recommend your product to their lists. In return, they can recommend your product to theirs.

In order to do this, your product and track record *must* be highly credible. Don't even think about doing this before you have something to offer that is highly desirable from a Joint Venture point of view. Highly successful email list marketers are cautious

about what they recommend to their lists – they must be, in order to maintain credibility in the eyes of their subscribers and not to alienate them. And if your JV target doesn't believe in your product, or think your product will bring them revenue on the scale they are used to, they will likely ignore you.

There's a fine line between Joint Venturing and nepotism, and you must stay the right side of the line.

Advanced joint venture tactics, my friends, are one of the secrets of how the "big boys club" do it. Once you have that huge email list, it's really rather easy to send out an email saying i.e. "Hey folks, check out this cool new product I have discovered." In return, your associates do the same for you. Everyone goes away happy – and it's one of the secrets of the "giant launches" that the big boys club are famous for.

### EMBEDDED E-COMMERCE

This is a fairly new method of e-commerce which seems set to grow enormously.

In more traditional methods of e-commerce advertising, you might simply host some content describing the product with pictures, videos, "audios" and links to where it can be purchased.

With the new generation of *flash widgets*, you are enabled to pre-build and embed dynamic content in a variety of locations such as web sites, profiles, blogs and other pages.

**Embedded mobile content** can take many forms – and might include **interactive games** (oops.. there goes your evening... sorry!;)), **photo slideshows**, **music jukeboxes** (love this!! - enjoy!) or.... ecommerce stores.

One of the first companies I can think of to create a *flash widget store* was music retailer <a href="www.snocap.com">www.snocap.com</a>. You might have seen these things on sites with user profiles (there's an example on the page in the link). These *mobile stores* can be embedded in any html code and therefore can be hosted anywhere this code works. The viewer would need *Flash Player* installed in order to view the store but this is a very simple process. So in the case of Snocap, musicians could put up these "ministores" featuring previewing and purchasing of their music in all sorts of locations, greatly increasing product visibility and potential sales. The concept of "music player widgets that include buy now buttons" has now been picked up by other music distribution companies including <a href="lala.com">lala.com</a> and <a href="soundcloud.com">soundcloud.com</a>.

Another well known example is the *Ebay To Go widget* - <a href="http://togo.ebay.com">http://togo.ebay.com</a>. Ebay To Go enables you to embed your (or anyone's) eBay store in a wide variety of locations. This could be a perfect tool for promoting your auctions outside of eBay.

The FAQ on togo.ebay.com has more info.

Another great example I just found is Cartfly. They seem to have a really cool model – and give some good additional explanation of the *embedded store* concept here: <a href="http://www.cartfly.com/pages/faq/general">http://www.cartfly.com/pages/faq/general</a>

This technology is still very new. A google search for "embedded store" yielded just over 2,000 results, and many of these were for other things! A search for "flash widget" yields more results.

For those looking to develop their own flash widgets, take a look at **Sproutbuilder**: - this looks like it will be interesting.

Here's another article - describing how to build an embedded Flash mp3 player.

Applications such as Cartfly could have tremendous implications and potential for rearranging the climate of sales – possibly even turning things upside-down if *they go viral*. I have this hunch that soon, someone is going *to crack this* in a big way and alter the climate of e-commerce. We'll see.

Embedded stores can be seen as advanced affiliate sales tools; and I think that when the *affiliate* community gets hold of this technology and makes it their own, things will take off in a big way. It's an elegant technology, and for the affiliate, a lot simpler to set up *on-site* than creating an entire shopping cart system: The things are usually really easy to host – you are typically presented with a chunk of web code which can be copied into the code of a web page or other location where it can be read correctly by a flash-enabled browser. It presents an opportunity for people from all walks of life to sell online with less initial effort. A good example from the current crop is **Widgetbucks**.

By creating turnkey sales solutions using flash / javascript technology, a company, band, sports team or anyone else might more readily motivate its fans and affiliates to become sellers of its products. This kind of embeddable *e-commerce solution* presents a simple and rapid way to profit from web traffic – and seems set to grow enormously in popularity.

For an fantastic, in depth article which goes into great detail on this subject, go here: <a href="http://www.typepadhacks.org/2007/08/blogs-as-stores.html">http://www.typepadhacks.org/2007/08/blogs-as-stores.html</a>

I think that within a few years, such Flash technology may seriously change the web landscape, with Flash content being hosted in more different ways in more locations. However, Flash content is not **search engine friendly** – and this factor might affect its acceptance.

There will no doubt soon be some clever deployments of this technology that we have not seen.

As a species, we are still getting our heads around the lack of geography of cyberspace. Important "locations" ultimately exist only by definition – and are defined not by where they are but by how many portals to them exist. Content embedding is another step further away from the three-dimensional nature of object arrangement that we are used to, and a step closer to the ultimate cyber-goal of any content, anywhere, any time, instantaneously, arranged with easiest access to that which is most relevant.

Applications which *allow content to be embedded* anywhere are set to take off. I look forward to seeing what happens to this *curve*.

### **CREATING ONLINE COMMUNITIES / WEB 2.0 SITES**

This is one of the most complex ventures that an internet entrepreneur can undertake. It involves internet experience, a ton of work, complex programming, and a high degree of risk and unpredictability - there is no guarantee that users are going to *take* to your community, and failures can be spectacular. However, if a community site takes off, it can become incredibly popular and profitable – and can *build itself* into something huge. Some of the biggest properties on the internet are community sites – and Web 2.0 is currently being heralded as **the next dot-com bubble**.

The advantage of a community site is that if it does become successful, it can generate huge volumes of traffic and very high page rank – which can be capitalized upon gloriously; typically through advertising.

Community sites generally aim to gather web users of a specific demographic under one roof, and to empower them with useful tools and features. These demographics are very often special interest subjects - but users can also be grouped around other markers such as location or age group. Another demographic is that of fashion or style - and "scenesters" - those who have allegiance to a certain dress code and music taste, often congregate in tight communities. As a general observation, you might have to be a member of that clique in order to do it well.

### What is web 2.0?

The boundaries of what constitutes a Web 2.0 site are often unclear – however a good general definition is that "Web 2.0" occurs when users are using the web as an interactive, community application rather than just a repository of information. Such sites typically allow user profiles but these may exist any number of a wide range of purposes. There are a huge and ever-growing number of such sites.... Web sites like eBay, Wikipedia, Craigslist are typical examples – and there is a "Complete Web 2.0 Guide at <a href="https://www.go2web20.net">www.go2web20.net</a>.

### Web 2.0 concepts

A key concept is that of *empowering* users. One of the things that users look to social networks for in general, is *to increase their social status*.

Therefore provide users the opportunity to develop a strong *online* identity, market themselves, share opinions and meet others of similar interest. Give them the ability to build their own *mini-empire* within the site: This might be for networking, profit (perfect example – eBay), social interaction, brand awareness / advertising or to drive sales and traffic to other sites; but the more the user feels the site helps them to be *noticed*, *seen*, *heard*, *felt*, *liked*, *discovered*, the more likely they are to stick around and to invite their friends.

One of the best methods of providing this empowerment is to provide a suite of useful free tools, and enable profiles to be highly customizable. Some sites have used this to great effect, however, their runaway success – and their model – sometimes makes them a target of flagrant abuse and spamming. Another Web 2.0 example - <a href="https://www.plentyoffish.com">www.plentyoffish.com</a> provides free services that cost money on other dating sites, and combined with a strong effort to police *fake profiles*, have achieved incredible success and advertising revenue.

Another critical factor is to provide a clean, fast, robust, highly functional user interface. The server loads on major web 2.0 sites must be astronomical and this needs to be addressed. You'll need some serious technicians.

See if you can find a niche or user demographic which could do with a strong community site or home base. A memorable, snappy domain name is *essential* for this kind of site; the **good news** is that is doesn't necessarily have to be a real word!

# **Dating sites**

Notable successes have been achieved by *online dating sites*. These have come to prominence due to the web's ability to group people in ways other than by geographical location. The internet helps enable people to find each other – and the strength of the human desire to find a suitable partner means that such sites are often successfully able to charge a recurring subscription fee for membership. Most other types of web 2.0 sites need to be free in order to succeed – and make money in other ways such as through hosting ads.

Dating sites tend to fall into two categories: "All-in" sites such as <a href="www.match.com">www.match.com</a>, www.match.com, and <a href="www.match.com">www.match.com</a>, and "Niche Dating" sites. Often, people looking for love have specific "requirements" - whether these are that their mate be of a certain religion, have unusual interests in common, certain habits, a certain outlook on life or any number of other factors. Hint: Factors which are likely to be "deal-breakers" for people dating, might evoke sufficient sentiment that these

people feel a *bond* to others of the same view. So long as these demographics do not fall into the realm of *politically incorrect*, this could possibly be the foundation for a successful online community! And of course there are great advertising possibilities if this demographic shows a strong interest in particular products or services.

### Fighting spam

One of the challenges of a web 2.0 site is that they often attract large numbers of spammers and people trying to game the system. These users typically are attracted to the high traffic volume of a large community site and may use fake profiles or other sneaky tactics in attempt to drive traffic to their own site. Web policies vary: Some sites do not appear to discourage people at all from linking out of their pages to their own site - or from hosting commercial content. However, there are different levels and degrees of manipulation of the system – and the main point is that your site can lose popularity if the users' experience is being compromised.

The nature of spam attacks will largely depend on the individual quirks of your model and can be difficult to spot until it starts happening – by which time you might be too big to easily rework the essentials of the way your sites works! Be sure of this: If your site is popular, people will try to game it – as wherever there is traffic, there is money to be made. You will need some serious programmers on your team, and some highend security consultation.

I personally have abandoned my profiles on certain community sites due to the high volume of spam. To discourage spam while retaining all of a site's desirability and usefulness is indeed an art. Internet security might be seen as similar to physical security: Ultimately, if someone is determined enough, they will break in; however by making it difficult for them, they will likely seek other targets.

# Some options for an online community

# User profiles

Pretty much essential... at the basic level, these typically enable users to display pictures and sections of text. A good way to get the ball rolling is to have some standard multiple-choice questions which users can fill in, in order to get their profile going. More advanced user profiles are highly customizable and enable users to get really creative - maybe enabling them to embed video, music, web code or web applications into their profile. The single greatest attraction of profiles for the user is that they can build their own web page without needing the expense of web hosting and a domain name.

# Chat forums / message boards

These can take the form of "live chat" where user messages are instantly displayed, or "bulletin boards". Typically the bulletin board will allow any user to start a "thread" i.e. a topic of discussion. These threads can be grouped around subjects for easier

navigation.

### **Blogs**

These are more *hierarchical* than forums, in that the host posts essays, or other content, and other users can "comment" on the information.

### Home content

In addition to user-generated content, it might be a good idea to create good, solid content of your own as an initial attraction for people wishing to use the site.

Give them something to do, something for them to get together and talk about. Give them good reasons to sign up. Encourage them to give their opinions, to share, to *co-create* (perfect example – Wikipedia).

One of the main attractions in a community site is that the *user experience* should improve as the user base expands: and the size of the community becomes an attractive feature in and of itself.

Another Alex Newman *special tip*: One of the factors that *drives me crazy* on certain sites is the length of time the profiles take to load. A great factor in this is that most users have a tendency to upload *uncompressed images* – which take a long time to load and slow the whole thing to a crawl. If you can include some form of automatic image compression utility in the site, you will decrease user frustration – and possibly your server load. More on image compression in Chapter 32.

# Summary

Starting a Web 2.0 company is complex. There are all sorts of technical, legal and security challenges you might face. You will also need some capital in order to get things going – for programming, graphics, legal expenses and other things – although the amount of this can vary enormously.

# **Further reading**

http://www.thestandard.com/news/2008/03/28/opinion-10-net-services-will-

succeed-and-10-will-probably-fail

http://www.webware.com/8301-1\_109-9782365-2.html

http://web2.wsj2.com/

http://philip.greenspun.com/panda/money

http://blog.guykawasaki.com/2007/06/by\_the\_numbers\_.html

http://web2.socialcomputingmagazine.com/creating\_web\_20\_applications\_seve

n\_ways\_to\_fully\_embrace\_the.htm

http://www.seobook.com/archives/002194.shtml

http://www.unionsquareventures.com/2005/10/10\_steps\_to\_a\_h.html

http://www.siliconvalleywatcher.com/mt/archives/2007/11/web\_20\_is\_on\_th.php

### http://www.ensight.org/archives/2005/12/05/web-20-companies-need-to-scale/

### SITE FLIPPING

Well, it had to happen. Site Flipping – buying and selling web sites with a fast turnaround – has now become a fully fledged industry. The basic concept is similar to real-estate flipping: Buy something undervalued with great potential, spiff it up and sell it for a big profit.

There are sites such as <u>Flippa</u> – which claims to be the #1 marketplace for buying and selling websites. The popularity of Flippa has <u>exploded</u> and the site has gone from complete obscurity to being a top 1,000 site in around 8 months. Looking at Flippa today there are over 900 sites currently for sale.

Website flipping is also a great option for site developers. Most online entrepreneurs have more projects and "web site ideas" than they can possibly keep up with. Many of these are good ideas, they just haven't had enough work put into them. These can be turned over using services such as Flippa.

The best money to be made from a web site sale however is if it is already profitable. A typical formula for valuing such a site might be to look at 3x annual earnings, plus the value of the domain name, traffic figures and other intellectual property included in the deal.

A great number of web site flipping guides are available free now, such as:

http://flippa.com/blog/

http://www.entrepreneurs-journey.com/275/how-to-buy-a-website-and-flip-it-for-

profit/

http://websiteflippingadvice.com/

# **Chapter 32 - TECHNICAL FOUNDATIONS**

"... The Coders always win" -- Eli - <a href="http://www.bluehatseo.com">http://www.bluehatseo.com</a>

"To err is human, but to really foul things up requires a computer." -- Farmer's Almanac, 1978

# INTRO THE TROUBLE WITH COMPUTERS A STUDY SHORTLIST FOR INTERNET MARKETERS SHOULD I LEARN WEB DESIGN? A NOTE ON IMAGE COMPRESSION

### **INTRO**

Ok I kept this chapter as short as I could, so as not to bore you! :) Pretty much all the *specific* info you need can be found for free online.... and I've included enough links to keep you out of mischief for years, if you so desire.

The main point is simple: If you are serious about internet success, get some technical knowledge behind you. It will be worth it. It's the old story of time invested now and recouped later.

First, a few thoughts on the nature of the beast we are trying to tame...

### THE TROUBLE WITH COMPUTERS

The trouble with computers, put simply, is that you are required to spend a great deal of time studying and learning how to use them, in order to get them to do what you want them to do. Whether it is learning the ins and outs of software related to your field, word processing, installing a blog on your web site, keeping the computer running smoothly, updating a web site, installing and getting your head around a new operating system, managing an email list... the infernal *learning curve* never seems to end! You're trying to get out, but in order to do so, it always seems like you have to get further in.... and you constantly seem to find yourself in a position where you have to *muddle along* in certain areas because life is simply too short to study all the additional things you suddenly need to learn.

I always used to joke that one of the reasons that most music is *crap* nowadays is that musicians are spending all their time trying to get their heads around computer music

software instead of learning an instrument...

I've been studying computers and using them for many hours a day for the past ten years. There's probably nothing I have spent more time doing, apart from sleeping! And yet still, I feel that there's an *infinite wall* of study looming ahead of me if I am going to do all the things I want to do.

To be a good internet entrepreneur requires a chunk of technical skill. Faced with this task, it would appear that the best strategy would be to isolate the most important things to learn from the sea of possibilities, and get them *down* as quickly and solidly as possible – so that we can get on with our actual mission objective of setting up systems that make us money while we sleep!

I've put together a *shortlist* of some technical foundations and skills I think it would be worthwhile for internet marketers to learn and understand – and have divided these into *first steps, intermediate and advanced*; with tons of links to free online tutorials and product information.

### A STUDY SHORTLIST FOR INTERNET MARKETERS

### First steps

- Good **copywriting**, typing and word processing skills incl. PDF creation (see p. 193)
- Use of Email software i.e. <u>Gmail</u>, <u>OSX Mail</u>, <u>Yahoo</u>
- In-depth use of Google or other search engines incl. boolean search terms
- Setting up and maintaining accounts at social media sites such as Stumbleupon, Digg, Facebook, Squidoo and using these (if / as permitted by Terms of Service) to send traffic / build relevant links
- Image compression making images "web ready"
- Uploading video files to video sharing sites
- Creating and customizing Web 2.0 profiles
- Purchasing a domain name, changing DNS, opening a web hosting account
- Use of a **WYSIWYG editor** to create simple web pages
- Use of an ftp client such as <u>Fetch</u> (OSX) or <u>SmartFTP</u> (Windows) to upload web pages to a web host
- <u>Setting up a Clickbank account</u>, choosing affiliate products, generating and implementing hoplinks
- Use of autoresponder software <u>such as Aweber</u>
- Use of file transfer utilities such as www.yousendit.com
- Set up, verify and use a Paypal Business account
- Set up an eBay account and sell some unwanted items

Mastering the above skills should enable you to create digitally downloadable text content, create and put up simple web pages, drive traffic to them in a variety of ways,

start building an email list, sell affiliate, digital and actual products, and develop new marketing campaigns for your existing products and services.

### Intermediate

- HTML and CSS web design (links in the next section below)
- Use of graphics software such as Adobe Photoshop
- Creating gif animations using Photoshop / Imageready
- Creating and using Excel spreadsheets
- Use of easy to intermediate audio editing software such as <u>Audacity</u> (free OSX),
   <u>Garage Band</u> (OSX), <u>Wavepad</u>, (free functional version OSX / Windows), <u>Bias</u>
   <u>Peak</u>, <u>Wavelab</u> (Windows)
- Use of easy to intermediate video editing software such as <u>Quicktime Pro</u> (OSX), <u>iMovie</u> (OSX), <u>Roxio Easy Media Creator</u> or <u>others</u>
- Use of <u>Google Webmaster tools</u> incl. Google Analytics and Website Optimizer or other methods of <u>split testing</u>
- A general understanding of the use of <u>cPanel</u> including <u>how to install and use</u> <u>Wordpress</u> or <u>other CMS blog software</u>
- Set up and maintain PPC advertising campaign (see p.257)
- Install Paypal shopping cart or other shopping cart system on a web page
- Use of an automation software such as <u>Quickeys</u>
- Creating an XML sitemap
- Understanding how to use <u>privacy policies</u>, <u>cookies</u>
- **General SEO** (although some SEO methods are simple, some are advanced)

After learning these skills you are pretty solidly equipped for internet marketing. You will be able to create and market a wide variety of digital content or physical products in a variety of ways, and to track and test your marketing campaigns.

# Advanced / specialist

- Setting up an affiliate campaign (see p.201)
- Creating and running a forum
- Server side scripting languages such as Perl, ASP, PHP
- Advanced client-side technologies such as DHTML, Ajax, Java.
- <u>Database-driven web site</u> programs such as <u>MySQL</u>
- Adobe Illustrator (Google "Illustrator tutorial" for a ton of info)
- Advanced pro audio software such as **Cubase**, **Logic**
- Advanced pro video software such as Final Cut Pro, Adobe Premiere
- Flash animated content design
- Running a web server
- Developing web 2.0 / community sites (see p. 215)

Unless you are **going in deep into web development** or professional digital media production (i.e. music / video / graphics / animation), chances are you won't need this

advanced stuff. It is only really relevant if you are a specialist in these fields. If you do need to learn these things, chances are you'll already know why.

### SHOULD I LEARN WEB DESIGN?

It might seem like an arduous task, but I *highly* recommend learning at least one web design language - particularly HTML or CSS. Numerous free guides are out there (see end of this section for links).

CSS appears to be taking over from basic HTML to some extent as the *industry* standard and apparently CSS pages load quicker – although my guess is that proper *image compression* (see below), often ignored, is going to be a bigger factor in fast page loading. However, CSS more complex and is functions as an extension of HTML, so HTML should be learned first.

### Why is learning a web design language is so important?

When building a web site, your options are basically 1) To code it up yourself 2) to hire a web designer, or 3) to use a "What You See Is What You Get" editor.

Let's say you hire a (usually very expensive) web designer to build your site; you pay them, the site is built - great! Two weeks later, you decide you want to update some content. You want to change some colors, add a new page, test some new ads. If you don't know how to do this yourself, you have to go back to the designer... again and again.

The point is, a profit making web site is something that needs to be changed all the time. In its early phases it will be in a process of constant refinement and observation. Unless you can do this work yourself or can partner with a skilled designer, you will likely get hopelessly bogged down, dependent, and keep on spending money.

# "What You See Is What You Get" (WYSIWYG) editors.

These enable a beginner to get started building web pages – however, the problem with these is that unless you understand the actual code they are implementing, they don't really allow you the kind of fine control you really need in order to build a truly great site. Of course, you can build a basic site with WYSIWYG... but there will come a time when you need to insert code into it from elsewhere - and if you do not understand the meaning of the code, you will not be able to do it properly. Most WYSIWYG editors allow both WYSIWYG and html editing side-by-side – and these are a good place to start because you can get some web pages going and figure out the code as you go along. Make sure you don't just ignore the code side and its possibilities though.

http://en.wikipedia.org/wiki/HTML\_editor http://en.wikipedia.org/wiki/Comparison of HTML editors

Learning HTML is not *absolutely necessary* for profiting online, just highly desirable. If you are planning on designing your own web pages, it is a really good idea.

Learning to write html from pure code does not take as long as you might think... it will be a struggle the first time around, but it is worth it. I recommend the software <a href="BBEdit">BBEdit</a> (OSX) for pure-code web design. Windows users might try <a href="CoffeeCup">CoffeeCup HTML</a> <a href="Editor">Editor</a>.

Here are links to some web design tutorials and resources online:

http://ncdesign.org/ http://www.html.net/

http://www.w3.org/Style/CSS/learning

http://validator.w3.org/ http://www.cgi101.com/ http://www.flashkit.com/

http://www.pepino.com/links/safaribookmarks.html

http://www.wowwebdesigns.com/designs/

http://en.wikipedia.org/wiki/Scripting\_language http://en.wikipedia.org/wiki/Server-side\_scripting

## A NOTE ON IMAGE COMPRESSION

Image compression is so very often overlooked - and it is critical in order to ensure that pages load fast. Image compression works in a *slightly* similar way to mp3 compression of audio: the most important information is retained and the thing is recoded as a smaller file.

I recommend Adobe's *ImageReady* as a fantastic image compression tool. (As of Photoshop CS3, Image compression is performed within Photoshop).

However, there are also free image compression tools out there. I have not used any of them – but here are links to a few you might try:

http://www.webmaster-talk.com/graphics-forum/1143-free-image-compression-tool.html

http://www.vso-software.fr/products/image\_resizer/

# **Chapter 33 - BUILDING QUALITY WEB SITES**

INTRO
THE NINE ESSENTIALS OF WEB SITE SUCCESS – A MAGIC FORMULA
THE BLUEPRINT

DEFINING YOUR WEB SITE'S OBJECTIVE AND FUNCTION
THE SITE'S FUNCTION - A CHECKLIST OF QUESTIONS
DOMAIN NAME
FREE CONTENT
MONETIZATION
TRAFFIC
RETENTION STRATEGY
DESIGN FACTORS
SITE ESSENTIALS
LANDING PAGES

#### **INTRO**

As someone once said, a web site is a store that is open 24 hours per day. People can search for your site, find it, view what you have to offer, make purchases, receive downloads and pay you... all while you sleep! If your system is set up properly.

At the outset it usually takes a fair amount of adjusting, tweaking and fine tuning the performance of a site to get it profitable – however, once it is, it should run for a while. It's a bit like building an engine; there are several elements that all need to function successfully before *ignition* will happen and the thing can carry you to your destination.

In this section we are going to examine the elements of creating a winning web site. We are going to look at design, but also go beyond this and look at a web site's mission objectives and how it will achieve them.

We are going to go in deep... and look at the wiring under the board.

#### THE NINE ESSENTIALS OF WEB SITE SUCCESS – A MAGIC FORMULA

If you were to ask people what they thought were the essentials a great web site needed, most of them would probably say something like "good design" - before going on to talk about factors such as page layout, good graphics, domain name, color scheme etc.

Good design is very important of course, but most people do not give enough consideration to the development that needs to take place before committing to the design phase.

There are in fact several "essentials" a web site needs to have, in order to be a great success – and if your site has strengths in all these areas, you are likely to succeed. Good design is just one of them. These essentials are:

- 1) OBJECTIVE what you want the site to do for you.
- 2) FUNCTION what benefits your users will derive from the site.
- 3 ) DOMAIN NAME memorable is best!
- 4) FREE CONTENT part of what makes a site sticky. The more the better.
- 5) MONETIZATION STRATEGY the actual method of making money.
- 6) TRAFFIC STRATEGY you'd better have one!
- 7 ) CUSTOMER / VISITOR RETENTION STRATEGY keep them coming back for more.
- 8) DESIGN FACTORS technical aspects of a good web site. The other part of what makes a site sticky.
- 9 ) SITE ESSENTIALS privacy policies, legal / disclaimer / terms of service, sitemap, site seals, etc.

#### THE BLUEPRINT

Whenever I create a web site, the first thing I do is to create a "blueprint" for *how and* why the site is going to work. I do this before even writing a word of code or constructing the *design factors*.

These blueprints map the site's *nine essentials* into a one-page diagram. Using these blueprints helps me enormously in creating a true overview of a site and in clarifying whether my *original idea* actually has real potential – before committing time and resources to actual design. It helps me look at a site through "the right eyes".

My web site blueprints *always* have the same "blank" - and it is reproduced below on p.228 for you to re-create / print out and apply to your own web business.

I do in fact have many more web site blueprints than I have actual web sites - and I would recommend that you do this also. Remember the section on ideas from Chapter 13? This applies here. Having several concepts for possible online businesses to choose from means that you can choose the web business that looks as though it will have the greatest chance of success. It is good not to be too attached to ideas, and to maintain fluidity and flexibility. After working with and stockpiling these blueprints for a while, you will hone your ability to pick a winner and develop it into a working "profit center".

I strongly recommend that when you commence building a web site, you fill in one of these blueprints and keep it in front of you at all times. You could either write it on a large piece of paper, or draw on a markerboard. This exercise helps you to identify any flaws or weak areas in the concept, before you commit to the design stage. Also, having a visible "map" in front of you really helps you to crystallize and retain your vision.

#### "Form follows function"

Only after I have completed my blueprint will I start to think about how many pages I need and all the other *design* considerations. *Form follows function* – therefore it's good to have a clear picture of the function and all its elements first: The blueprint is a map of the web site's overall function.

Here is a blank web site blueprint you can print out, followed by detailed explanations to help you fill in all the sections.

| SITE NAME / URL:    | site do for me?  FUNCTION - what benefit (s) will users derive from this site? | ONTENT - "the more the better": MONETIZATION - how will the site make money? | CUSTOMER / VISITOR RETENTION STRATEGY: |                 | LOGIN / ESSENTIAL INFO etc: | SITE SEALS? |
|---------------------|--|--|--|-----------------|-----------------------------|-------------|
| WEB SITE BLUEPRINT! | OBJECTIVE - what will this site do for me?                                     | (FREE) HIGH QUALITY CONTENT  | TRAFFIC STRATEGIES:                    | DESIGN FACTORS: | HOSTING:                    | 9           |

#### DEFINING YOUR WEB SITE'S OBJECTIVE AND FUNCTION

The first step in creating a successful web site is to define the site's objective and function.

A site's *objectives* are its *goals* from *your point of view*. For example these might be to make as much money as possible while you sleep, sell products, earn affiliate income, drive traffic somewhere, spread important information, develop a large, thriving community... or to build a list of targeted leads / subscribers of a certain demographic.

A site's functions are the value or usefulness it has to the people that use it. Examples of this might be, for the site to be a place where people can find what they are looking for, download useful tools, be consistently entertained, meet others and network, gain social status, demonstrate their abilities, see beautiful things, learn, shop, make money, build their online empire, check interesting things out, share.

A highly successful web site is one that successfully fulfills both a valid function and your objectives – although it is to be noted that it is much more likely that the site will achieve your objectives if it is highly successful in its function.

A classic example of a business that succeeded this way was Google. By focusing entirely on building the most useful set of free tools possible, combined with a strong, memorable brand identity, Google was able to *hit the top* in terms of popularity; and *then when they were there*, they were able to capitalize on their enormous traffic and generate enormous revenue.

It is one of the highest arts of business to marry objective and function seamlessly. In the very best companies, the two merge together into a total *win-win* situation.

So in order for your site to fulfill its functions, you need to *put your clients first and focus on them*. However, all the while, you do need to keep your objectives in the picture.

If your site does not fulfill its functions in the eyes of your users, you will not be able to achieve your objectives; unless of course you are *doing black hat* – or in some instances *pure marketing* without any involvement in product development.

A true definition of a *black hat* site might be seen as one that aims to achieve an objective without fulfilling a function.

A clear picture of a site's function and the specific methods by which this function is going to be achieved should be developed and crystallized before commencing the actual design. This is very important. So in order to maximize success in this critical

first step (and to help you fill in "the blueprint") I have developed a list of questions that you can use. You might also wish to print out the list of questions and answer them more fully – it is good to put a little effort into doing this part as well as you can; it's usually a revealing process and can be tremendously beneficial when building the foundations of your site.

#### THE SITE'S FUNCTION - A CHECKLIST OF QUESTIONS

Ask yourself questions such as the following to get a picture of who your audience might be, and why this web site will appeal to them. These sorts of questions fall into the category of *market research*.

#### What is this site?

What is your web site going to be about? What is your *concept*?

What is your niche?

What is your brand? Is it memorable? Why? Do you have strong brand identity?

#### Will it work?

Is your niche generally a profitable one? Why?

Is online demand in this area rising, saturated or falling?

Is offline demand in this area rising, saturated or falling? How will this affect online demand?

If falling, is demand still strong? How long for?

What factors are likely to affect demand in the foreseeable future?

Do you have competitors?

Are there other web sites in your niche that are known to be highly successful?

Do you have a competitive advantage?

Do you have leverage?

How will this site help you develop leverage?

Is your product of a kind that is popular or rising in popularity?

How will you stand out from, and above, the crowd?

Is there a place online where your potential clients already congregate?

How will you reach your potential clients?

How exactly will you increase the awareness of your product / brand?

How exactly will you increase the *popularity* of your product / brand?

How will you demonstrate the effectiveness and value of your products / services?

What are your strengths and weaknesses within your niche?

What are you better at, or can talk better about, than others in your niche?

# Why this site?

Why will people choose this site and not another one?

Why is your web site going to appeal to followers of your niche?

Why is this site relevant to the world?

Why are your products better than those of others?

Why are your users going to like this web site? Why is this plan going to work? How will you dominate your niche?

#### Who wants this site?

Who are my potential clients?

Who are the people in your *target* market? (describe demographic factors such as gender, age group, geographical location, typical other products they buy, typical interests, things they don't like, and any other factors that distinguish this *type of person* and make them likely to be interested in what you are offering).

What qualities to they like? Color schemes? Styles and tastes?

#### **DOMAIN NAME**

I have written an entire *Free Guide* to domain names. It's called *The Graveyard of Free Web Sites* and you can find it at <a href="https://www.money-while-you-sleep.biz">www.money-while-you-sleep.biz</a>

#### **FREE CONTENT**

# Content is still king!

If we examine those who have actually made fortunes on the internet, what do we find?

As I mentioned earlier, we see time and time again that the ones who have really made the money are the ones who provide the best content for the user. These people tend to *think long term* about their internet strategy, and develop one or more *brands* which become major *community hubs* – or become well-known information, utility or entertainment sources.

Will you host free text, free video, free mp3 downloads, search features, free tools, images, an interesting and lively blog, entertainment, forums? Your content is the reason someone visits and spends time on your site. It is where you develop your relationship with your potential customer.

**Quality content** is either useful, attractive or entertaining - or preferably, a combination of these. It holds the viewer's attention; makes them glad they found you; and makes them likely to share with those they respect.

**Authoritative** content is accurate, knowledgeable, relevant, timely, useful, well constructed - and in some way superior to much of what is out there. People are always looking for authoritative content. They want good answers to questions, good ideas, good information. When your content is *authoritative*, people are likely to link

to it as people love to share *the best* with their people. If you can be consistently authoritative, people will start to look to you habitually as a *go-to source* whenever they have an issue related to your niche. This is a classic method of achieving *niche domination*: Most people concentrate huge efforts on marketing their information. I advise putting more effort into achieving authority. Most people who get to the top, do so by being the best.

# Adding to people's lives

The best and most successful web sites improve people's lives in some way. This *value* can take many forms. One of the principal ones I use is that of *research*. I examine ideas that are "out there" in the field, pick what I think are the best or most useful ones, and I expand upon them and try to present them within an overall *context* which is unique, interesting, forward-thinking and useful – in this case, the context of achieving financial independence honorably and as fast as possible in the rapidly-shifting 21<sup>st</sup> century business environment.

This is probably one of the simplest, best formulas to apply for web site success; Simply to ask the question how can I add the most benefit to the lives of my site's users?

### **Entertainment**

Being entertaining can often be a good way to sell anything. Especially if the product or service is usually seen as one that is drab or dull – you really have a chance to stand out.

A classic example of someone who uses entertainment in sales is **the Rich Jerk**. He's daring, arrogant... and hilarious. The point is – it works. It gets attention. And if you can make people laugh, you are more than half way towards getting them to like you. It's a key component in *building rapport* – and when combined with brilliance in other areas such as usefulness, makes an irresistible 1-2 combination.

#### MONETIZATION

*Monetization* is the actual process by which your site will make money.

There are essentially two overall ways you can *monetize* your web site: either through product sales, or advertising - or both, of course.

In the case of product sales - the process of monetization includes the products you have for sale, your "sales pages" and the e-commerce system you are using to handle transactions. It is the *on-site* part of your marketing campaign as distinct from traffic strategy and any additional material used to build rapport and *stickiness*.

Some examples of *monetization* might be: "Sell my paintings on the web site using Paypal buy buttons and an image gallery"; "Sell my eBook as a PDF using a sales page and Clickbank's e-commerce system"; or "Earn commission from banners on my web site which advertise affiliate products".

Part of the monetization process is having products people will want, part of it is presentation, and part is having a convenient and functional means for them to make the transaction. It should be as *easy and confidence-inspiring as possible for people to actually make the purchase* – and you should make the entire process as smooth and reliable as possible. There should be no "bumps in the road".

Typically, you will either set up automated online payment processing or will get your products hosted elsewhere.

#### **TRAFFIC**

This part is so important that I have given it its own chapter! - Chapter 34 (next chapter)

#### RETENTION STRATEGY

In many cases when people are making a web site, they only consider *first-time visitors*. It is however, often far more effective to create the kind of site that gets people returning on a regular basis – and to give attention to how you are going to do this.

Some typical methods for achieving this include:

- Creating community through blogs, forum, user profiles, classified ads, opportunity and incentive for users to upload interesting content.
- Regularly uploading new free content / updating
- Email list marketing
- Providing support, updates
- Providing comprehensive information on a subject that makes the site "go-to" resource
- Creating a database of existing or past customers and marketing to them they will very often be some of your best customers for new products

#### **DESIGN FACTORS**

# Making the site sticky

This concept is simple to understand. The idea is that some web sites are "sticky"

and some are not. "Sticky" means that when the user gets there, they tend to *stick* around. And when the users stick around, they are much more likely to spend money, return again in the future, click on your ads and visit your sponsors, link to you, recommend your site to their associates, etc.

A major part of what makes a web site sticky is having strong *retention strategies* – as mentioned above.

However, there are several *design factors* which are *essential* in making a web site sticky - as I once found out the hard way...

# Measuring stickiness

A great way to measure how *sticky* your web site is, is to measure the *bounce rate* and the *average time* the user spends on your site – using the amazing <u>Google Analytics</u>. The *bounce rate* is what percentage of your users "bounce" - i.e. leave without viewing further pages. These two statistics - *bounce rate* and *average time on site* taken together, generally give a good indication of whether your users have found what they are looking for. These factors will also be affected by the *quality* or targeting of traffic you are sending to the site.

I highly recommend that if you plan to create web sites for profit, you install Google Analytics. They are an incredible suite of free tools which give you all kinds on information about the traffic that visits your web site. To install Google Analytics, you must first sign up for a Google account, if you have not already done so. It's easy and entirely free. (hint - how did you think Google got so big?) Once you are in your account, follow the instructions and Google will give you a *tracking code* - a small chunk of web code which you then copy and paste into your web pages; near the foot of the page code. This then enables the analytics' tracking - and soon you will be able to *view reports* which will give you incredibly detailed statistics that can help measure and improve the performance of your web site. Google Analytics provides detailed, step-by-step instructions which you can follow.

Google Analytics' *Bounce Rate* and *Average Time On Site* are incredibly valuable tools to tell you whether your site is *working*. You can make changes to your web pages and then see exactly what effects they have.

# Six seconds to comply

There's a common tenet - I am not sure who came up with it first - that states that with a web site you have *six seconds* to get someone's attention. I found this out the hard way once, with one of my early web sites. I started out thinking that all I had to do was create killer content - so I did: *reams* of text, all good stuff... but in the form of *impenetrable slabs of writing*. What happened? Most users didn't even dive in to find out whether the content was good - they just escaped from what looked too

daunting! However, once I implemented some *killer headlines* and broke the paragraphs into smaller chunks, the results were immediately visible: My "bounce rate" dropped by an incredible 40%!!

I learned the hard way through experience something that every newspaper publisher in the world knows.

So in order to make a site sticky, it helps to be aware of two different "modes" that people can be in when they are surfing the web. Often, surfers will "channel surf" and "scan" a number of pages before finding something that pulls them "in deep". The reason for this is simple - there is a *megaton* of content to choose from, over a *billion* web sites in all! People have learned to "sift" information rapidly in order to find what they want. They are seeking something that *engages them* before they will *stick*.

You need to find a way to grab the user's attention as soon as they land on a web page - here is a summary of some ways in which you might do this:

## 1) Headlines

A good headline helps a user to assess instantly whether something is of sufficient value for them to want to investigate further. This is absolutely essential. Whether it is the subject line of an email, the main heading of a page, the heading text of an ad... headlines make a *massive difference* to your results.

Master the art of writing good, compelling, exciting headlines. And test your results! Make a study of headlines in the world – on newspapers, magazines - or web pages that are known to you to be successful. Observe which headlines work on you. Which web pages grab your attention and make you read an article or investigate further? Recognize that relevant keywords and certain "power words" have a scientifically proven effect of compelling attention. (Tip – do a google search for headline power words. This yielded an absolute goldmine of results for me.)

# 2) Layout

Site layout is an art - and a deep science. A clumsy, haphazard, careless or ugly layout confuses a viewer and makes them want to leave. Many times I have left a chaotic web site regardless of the quality of information - I didn't stay around for long enough to find out - it caused too much *pain in my circuits*! Another thing to bear in mind is to keep the most essential information "above the fold" i.e. in the area of the screen that is immediately viewable when the page is loaded. Many people will not scroll down until they are already *in deep*. Bear in mind when considering which information to make *immediately viewable* that most viewers will have a 1024x768 or even an 800x600 pixel screen. Also, there are common patterns in which viewers look at web pages. A famous example of this is the "Google Heat Map" which shows which areas of a page are the most viewed.

And don't forget to break large chunks of text into smaller paragraphs. It makes it

easier and more pleasant to read.

## 3) Site navigation and structure

It needs to be really easy and obvious for someone to be able to find their way around your site. I mean, *really really* easy and obvious. In general, all the pages should link to the other pages through the use of a *navigation bar* which lists all the pages. Possible exceptions to this are squeeze pages and landing pages, which should still contain relevant *site essentials* such as privacy policy, terms of service where applicable – but otherwise might limit the number of options.

Your overall navigation should be so simple that everyone can do it. A good way to test this, is to invite a friend who is in the same room as you to check out your web site - and observe whether they find navigation easy.

# 4) Pictures

Attractive, interesting, informative pictures will clearly increase a web page's *stickiness*. Don't forget that image compression!

## 5) Video

Embedded video content is now one of the *master tools* used to hold a user's attention. People *love* watching short videos - as the gigantic popularity of video sharing sites will attest to. Several of these sites are in the top 20 or 30 most popular sites on the web. I really think that short, user-selectable videos with an enormous array of content choice and a fast search engine; comes pretty close to the *ultimate form of content!* 

Looking at these sites, an investigation into which videos get the most views also demonstrates a fantastic example of how much of a quantum difference powerful headlines and **thumbnail images** make to *clickability*.

(It's really amazing just how many totally free opportunities the web presents for incredibly powerful research – when you start to think out of the box. Looking at top search results of major terms, "most viewed" or "highest rated" sections of video or photo content, "most bought" products, most successful blogs or web sites in terms of revenue or traffic – all these things are research goldmines that you might be able to use to short-cut huge amounts of tedious market testing. By observing what has already worked incredibly well, you can get a good picture of what is likely to work for you.)

Anyway... the short video format is perfect for educators, those wishing to promote a product and those wishing to develop customer relationships - as video is a fantastic way to learn: It addresses the brain through both the visual and the auditory circuits.

The simplest way to get video on your site? Usually - upload the content to your video hosting site account and then copy the *embed code* they provide to host it on

your own page.

## 6) Color scheme

I recommend avoiding *colors that hurt*! Personally I like to go for dark pastel shades and color schemes that are pleasing on the eye. Deep and mid blues are recommended as a color which suggest professionalism and trustworthiness - and have been shown to increase sales; reds indicate action, passion and excitement; greens are generally calming, caring, natural and restful. You could experiment with background colors using Google Analytics to observe your results.

In summary - by combining all the elements that go to make up a good page, you make a web site sticky. Work on the content first - and then when this is high-grade, the other stuff is easier to bring up to par.

# Design factors - a quick checklist

Does the site compel the viewer's attention as soon as the landing page or home page is loaded i.e. with powerful headlines, interesting content such as video or free downloads above-the-fold?

Is the user's eye guided easily to the things you most want them to see?

Are the images compressed and web ready so that they load quickly?

Does the site work properly on all major browsers - such as Safari, Internet Explorer, Firefox, Opera - on both PC and Mac?

Is the web code W3C compliant?

Do you have the relevant *basics* pages such as sitemap, privacy policy, disclaimer, terms of service, contact information

Would the site benefit from having any site seals? Testimonials?

#### SITE ESSENTIALS CHECKLIST

The following is a checklist of web pages / items which I call "site essentials".

You may or may not need all of them – it depends on your site. However, in general they are marks of professionalism that many users expect to see:

Depending on the nature and location of your business, some of these items (i.e full contact details) may be legal requirements or may become legally binding documents - please be sure to check / get legal advice where appropriate.

## About / contact

I usually put both of these things on the same page, seeing as they are related. This

is the essential info that relates to the site. It might contain brief bios of prominent company members, a brief description of your M.O., mailing address and other contact info.

Some web sites have a standard contact form for users to fill in – but personally I don't go for this as I think it can feel slightly alienating. It seems to say "we don't really want to hear from you" and feels like something of a "corporate communications firewall".

Depending on the nature and location of your business, you may be required by law to give the actual address where your business is based – even if this is your home address.

Some users look for real contact info when investigating whether an internet business they have just discovered is legitimate.

## Support

One instance that providing a form to fill in seems to be more readily accepted is if you are providing support of some kind. A system such as <a href="http://www.osticket.com/">http://www.osticket.com/</a> might be a good way to go.

Otherwise, a support page is the place a user will typically look first for updated versions of things, bug fixes, user manuals etc.

# Privacy policy

According to <a href="http://www.business.gov/guides/security/overview.html">http://www.business.gov/guides/security/overview.html</a>, privacy policies for e-commerce web sites are not required by law; however it has become very common practice for online businesses to post them, and many consumers are concerned about the security of personal information. Additionally, Adsense has updated its terms and conditions to state that privacy policies are required for inclusion in the Adsense program.

Here are some further useful resources on privacy policies:

www.truste.org www.w3.org/P3P/details.html www.dmaresponsibility.org/PPG www.themelab.com/2008/05/01/how-to-make-a-wordpress-privacy-policy

#### **Terms Of Service**

If you run a web site, especially one involving money changing hands, it is often advisable if not essential to have a Terms Of Service policy. Such terms are often written up in the form of legally binding documents and so legal counsel will be required. Terms of service usually set forth the intentions and the limits of liability of

the creators of the terms, and state the terms under which the service may be used – and typically set forth rules and responsibilities which users of the service must agree to, together with obligations on the part of the company providing the service. Such terms are designed to protect both the owners of the site, and its users, from abuse. Most often, the ToS will protect the rights of the site's owners to refuse service to users who violate the terms and to remove content deemed as objectionable.

This is a complex topic and professional advice will typically be required.

Here's a classic example of a ToS policy: Yahoo's Terms Of Service.

## http://en.wikipedia.org/wiki/Terms of service

#### Disclaimer

Disclaimers are typically included in terms of service – but separate disclaimers may be required - especially if you are creating and selling products which make any sort of claim to be able to help anyone in any sort of way. Again, it's another area for legal consultation – and Wikipedia has an excellent **article** on the subject.

#### Site seals

A really good way to build and inspire confidence in your site's visitors is to acquire "site seals" - also known as "trust seals". Some of these are available free and others are available as part of programs which cost money – but typically you will have to adhere to certain quality guidelines in order to get the seal. They are worth investigating as they are known to have a positive effect on sales. Here are a few good examples:

www.truste.org
www.verisign.com
www.trust-guard.com
www.webentrust.com
www.bbbonline.org
www.webtrust.org
www.mcafeesecure.com/us
www.trustwave.com/trustedCommerce.php
www.geotrust.com

Here's a <u>great site</u> with much more information on the subject of trust seals. (note the use of the "keyword real estate" technique! :) )

# Sitemaps

Having a properly-created **sitemap** such as an "XML Sitemap" can improve a site's

ability to be found by search engines – in particular for all the inner pages to be crawled and indexed. This is especially true if you have a large site or one with dynamically-created content. Google provides a free sitemap generator feature for users of their free suite of <a href="Webmaster Tools">Webmaster Tools</a>. <a href="www.xml-sitemaps.com">www.xml-sitemaps.com</a> also appears to be a great service although I have not fully investigated it.

#### LANDING PAGES

A page that is specifically designed to be the first one a user sees on arriving at a site – for example having clicked an ad - is known as a *Landing Page*. Landing pages are an *art form* and a topic of their own.

Landing pages typically take the form either of a *squeeze page* (discussed in Ch.31 / p.208) or a long, detailed page typically designed solely to sell a product. If there is no *landing page*, a user will usually be guided to the home page of the site or a *flash intro* for example.

I have already mentioned (p.212) a good way to investigate some of the most successful landing pages by using Clickbank. It's funny, I'm kind of tired by the majority of these pages... maybe you are too. Is it the fact that so many of them seem to use the same fonts and color schemes? Or is it the over-excited hyperbole? It must work otherwise people wouldn't keep doing it! Whatever, you can be quite sure that these pages have been tried and tested against other variants.

On my own landing pages I've tried to be just a little different. Partly because I think the same old formula is getting a bit boring. I just find it somewhat *gauche* to be so garish, loud and in-your-face with sales methods: Intelligent people are sometimes put off by them.

It's interesting to note that you don't necessarily at all need fancy graphics, or video, or whatever. What you need the most... is to tell people as much as you can about the way your product will benefit them.

One of my favorite landing pages has to be one of the many *masterpieces* belonging to good ole' Mr David DeAngelo – check it out:

http://www.doubleyourdating.com/advancedseries/index.asp

This page has been *incredibly* successful. Interesting isn't it? Minimal graphics... plain black text on white background.... but look at the content. It's gigantic! The part that amazes me is the "What You're Going To Learn" section. Talk about a *list of benefits*! Apart from this, good headlines - and a ton of testimonials which provide *massive social proof*. This page focuses entirely on the potential customer. It's completely *about them*.

Put as much effort as you possibly can into telling your potential customers about all the ways in which the product is going to *benefit them*. Then do this some more. Then you'll be on the right track with your landing pages.

It is very important to test your landing pages: I recommend using split testing (p. 182) for this. Experiment with as many different things as you can: Different text; headlines; amount of info; fonts; images; graphics; the look, positioning and frequency of "buy" buttons.... and get the *conversion* as high as you can.

# **Chapter 34 - TRAFFIC**

INTRODUCTION
EXPOSURE
A NOTE ON TARGETED VS. UNTARGETED TRAFFIC
TYPE-IN TRAFFIC AND OFFLINE NETWORKING
EMAIL SIGNATURE LINKING
DIVERTING TRAFFIC FROM THE BIG SITES
SOCIAL MEDIA SITE MARKETING and WEB 2.0 VIRTUAL REAL ESTATE
VIRAL VIDEO
LINK BUILDING
VIRAL PDFS
SEO and SEARCH ENGINE TRAFFIC
PAY-PER-CLICK ADVERTISING

#### INTRODUCTION

There are a *huge* number of possible traffic-building strategies. As this is a highly important area of making money online, I've *gone for it* a bit with this chapter.

Traffic is one of the great keys to internet success. Without it, you stand little chance of making much money. If you have it, there are almost always numerous ways to exploit it profitably.

There's really no way to say which is *the best* traffic strategy. This will depend on your abilities, persistence, the nature of your campaign – and whether *you get it right*. Traffic strategies can be time consuming and can sometimes take many months to *mature*. It can be difficult to say which method of traffic-building will pay off best. However, it is essential to have one; you can't expect traffic to just start flowing.

I have presented a big, detailed list of traffic strategies. I suggest testing a few that you feel drawn to, and observing (using Google Analytics) which ones create the best results with the least effort. Some of these traffic strategies create a short-term *spike* or traffic flood, others have a longer *life-span* – and will keep generating traffic for months if not years.

For best results, combine your traffic efforts with good *retention strategies*, good products, good site design and effective sales materials.

#### **EXPOSURE**

Exposure really is one of the magic words of advertising and sales nowadays.

As I have already mentioned – the airwaves are jammed. There is so much content, so many choices out there, that people simply cannot take everything in any more.

Imagine a vast banquet table, laden buffet-style with plates of delicious food – each one created by a different chef. The table is sixty feet long and eight feet deep. Imagine that you have created a fine dish – truly worthy of any of the guests at the banquet. Yet there isn't much room left at the table, and so your dish sits there somewhere in the middle of the table.

Now there is nothing at all wrong with your dish. It may in fact be one of the best creations at the table.

Yet, what are the chances that a certain noble guest will feast heartily on your offering?

Very slim.

There are so many dishes at the table that they may not even notice yours. And even if they do, they may not have room for more than a little taste.

However, if you could guarantee that your dish was *front center* as the guests entered the hall.... or better still that it could magically float right in front of their eyes as they walked around the table....?

The internet, nowadays, is like this banquet table. You might have perfectly good content – yet unless you find a way to set it *right in front of people*, they might never see it, nestled as it is among the millions of web pages. And worse, they might never feel that their lives were *lacking* in any way....

The art of getting web traffic is the art of exposure.

I often joke that if I could give my music away to ten million people tomorrow, I would do so without hesitation.

Why?

Because even if only one in a hundred liked it, I would have a hundred thousand new fans.

The simplest formula for exposure is a two-stage process. Stage one is to create something *attention-grabbing*; whether it is headlines, images or other – and stage two is to *get this seen* by as many people as possible – especially *the right kind of people...* 

## A NOTE ON TARGETED VS. UNTARGETED TRAFFIC

The next important concept to understand is that of *targeted traffic*.

Not all web traffic is of the same *calibre*. Not all traffic will result in conversions. Of course, you want a high volume of traffic – of exposure; but you also want *the kinds of visitors* who are most likely to buy your products or perform the other actions you would like them to perform, i.e. investigate the affiliate products in your ads. *Especially* if it is costing you money to acquire these visitors.

Conversion is the important statistic. Who cares if you have a million visitors, if none of them buy anything or click the ads? If I so desired (or if I was careless) I could spend money on ultra-cheap untargeted traffic all day and not get anything back, except making my page views counter go up.

Targeted traffic, essentially, is visitors to your web site who are specifically looking for, or highly interested in what you have to offer – and who are *likely to buy*.

Untargeted traffic may however have its uses – if you have a product or service which has global appeal and about which you wish to raise general awareness very quickly. Also, due to the fact that it can be much cheaper, it is sometimes possible to achieve results with untargeted traffic.

So there are two basic methods of advertising. Untargeted advertising plays the *numbers game* – it attempts to get the ad seen by as many people as possible.

Targeted advertising is usually more expensive, gets less *eyeballs* – but is (at best) highly focused on the kinds of visitors you are looking for.

It is often hard to predict what exactly is going to work best: The only way is to test and compare results.

There are numerous methods for *focusing the targeting* of your visitors.

One is to advertise or otherwise promote your venture on sites which fit your target demographics. Sites within your niche. With your traffic building strategies, it is advisable to concentrate on the *networks* where *the kind of person who will be interested in your products* hangs out. These networks may be other web sites – or may be other *community hubs* – perhaps relevant magazines, conferences or other *gatherings*.

Another method of targeting is to use Pay-Per-Click advertising and hone in on keywords / ad wording which target your buyers as concisely as possible. It is

essential to test and find out (i.e. by keyword tracking) which keywords in searches and advertising are the ones which lead to conversions – then to concentrate on these keywords and exclude others from your campaigns.

To take a highly oversimplified example:

If I was to use advertising with pictures of oranges to attract users to my site, yet the site was attempting to sell apples; my conversion figures would not really be very high.

If I straightened things out a little, and created ads with pictures of apples, my conversion figures would probably improve. However, there are other factors to consider. If I was to place my ads on a web site all about oranges, my ads would not perform as well as if I were to find out which sites had visitors who liked apples, and to place my ads on those sites.

There are more factors besides these. Web users from some countries might not have much disposable income to spend on apples, and so on. Certain advertising networks permit *geo-targeting* which allows you to fine tune your traffic – and this can have a significant effect on conversions. Typically, the USA is one of the best converting countries – but again, *your results may vary*.

Some paid traffic services generate cheap traffic which, in order to obtain the necessary high volume, may be derived from large "content networks" such as parked domain pages. Such network traffic is often comprised from users who are surfing randomly, rather than those who have strong interests in specific products, or are actually shopping.

There are certain places online where people hang out who are more likely to buy – and other places where the majority of users are not in *shopping* mode and therefore traffic generated from these sources may have much lower conversion statistics.

If placing an ad through an *advertising network*, it makes great sense to tune the demographics as much as possible in order to locate and attract the real buyers.

#### TYPE-IN TRAFFIC AND OFFLINE NETWORKING

There are countless ways you can promote your web site *out in the real world*. This kind of promotion is often overlooked but can result in significant extra traffic.

This is another reason why having some valuable free stuff to give away is of great strategic importance: If you give someone your business card or product flyer, how likely is it that they will visit your web site? Not very. However, if your business card links to a free report, free downloadable tracks, a free episode, free tutorials, free guides, free gifts... it really changes the light of your *offline* marketing efforts.

If you are a music teacher for example, put some free tutorials on your web site; students can refer to it in between lessons. Prospective students also can benefit from your online material.... and when their perspective shifts to seeing you as someone who can be of great benefit to them, you are much more likely to make the sale.

Many people have tons of cheap merchandise manufactured for offline promotions – pens, baseball caps, stickers, badge buttons, fridge magnets... the list is endless. Yet I believe much of this effort is wasted – especially nowadays: I have had pens sitting on my desk for years advertising some hotel or other – and have I ever gone there? There's so much *marketing spam* embedded in people's "subconscious minds" that I can hardly imagine that it is effective any more. People are exposed to so much advertising and *scan* so much information all the time that it doesn't cause a *bump on the radar* any more. We've learned to tune it out.

However, if the ad points to some good *free stuff*, the picture changes entirely. *Get them to the web site*. Very often that should be the sole objective of your *offline* marketing efforts. Promotion is essentially a two-stage process – as I touched on before ("Six seconds to comply" in Chapter 33). The *first stage* is to bring someone out of what I call "scan mode". Scan mode is a person's normal mode of activity where they observe everything in their environment extremely briefly without really seeing it... until their senses alight upon something that triggers the "I want this" response (or some other strong reaction) from their *basic instincts*.

An offer of *free stuff* is one of the best ways to bring people from *scan mode* into the second stage, which is *deeper investigation*. And people need to be in *deeper investigation* mode before they will type in your URL.

So for example, if I was creating a marketing campaign such as that of the hotel whose ball-point pen is currently sitting on my desk; instead of just the address and phone number, I would create something that makes people visit the web site. Something *remarkable*, as Seth Godin might say. A free guide to things to do in the city that might be useful to the kind of people that use hotels - i.e. visitors to the city. A twenty-dollar room rate discount or free spa access for web site visitors. A competition. A 3D virtual fly through of the world famous lobby. It doesn't really matter – so long as it ignites people's self-interest. *Target your marketing at your customer demographic, and get them to the web site by giving them something they will like*. Then you can do your selling from there, when you already have them *in deeper investigation mode*.

Of course you will need to balance what you can afford to give away with the increased revenue it will bring – but most of the time, the best balance is further towards giving things away than most people's efforts! *Develop reputation and positive, wide-reaching brand awareness* - and profit will follow.

Of course, as already stated, some of the best free gifts are digital downloads – once they have been created, they can be given away ad infinitum at no extra cost: Also, these things can also contain links back to the web site, creating further traffic.

Flyers are a great way to promote a web site. You can produce thousands of them at low cost, and they are generally more appropriate than stickers for offering a free product. Concentrate on promoting your free stuff on the flyer – resist the temptation to turn it into a brochure featuring all your products and prices. Try this. See if it improves results. It has done for me. Oh, and use recycled paper please.

Another great reason for focusing on the free stuff in the flyer is that when you are in conversation, you can bring the subject up at any time without making people feel like you are selling to them. You are not selling to them; you are offering something to them for free! *Just get them to the web site* with an offer of something free. They'll think of you as a generous person, rather than a salesperson. Then do the selling on the site, once you have *established rapport*.

Another type of *type in traffic* is when people open a web browser and attempt to find you, or something like you, without actually knowing your URL. Thus for example, the owner of **www.shoes.com** must get a tremendous amount of type-in traffic.

Another valid form of URL for type-in traffic is your name: It's easy for people to remember. A third form is a domain name so memorable that it *sticks in people's minds*. This third form, I believe, is one of the big reasons for the runaway success of certain brands. Their name is incredibly memorable. *Do you Yahoo?* 

How many times in your life have you seen something you liked while out for the day, gone home and suddenly remembered what you saw, thinking "Ah, what was the name of that web site?" This is huge. I talk about this further in my *Free Guide* "The Graveyard Of Dead Web Sites".

#### **Personal Real Estate**

You might not wish to wear a t-shirt or baseball cap with your URL on it – but there are other things you can do – including some very effective ones.

One tactic is to combine the use of magnetic banners with a business card or flyer holder attached to your car. You can promote your business in an eye-catching manner, and leave people with something they can take home. This is a great, eye catching tactic as very few people are currently employing it: and your car is seen by a large number of people. Here are links to examples of the tools you need to do this.

http://www.tracytrends.com/bs/business-card-holder.html http://www.vistaprint.com/car-magnets/car-door-magnets.aspx A good way to look at this concept is to think of items of your personal property as "personal real estate." They are places you can advertise. Can you think of other things you own that are seen by people and that you could advertise on?

The "ask me how" tactic can be a good one. Thus for example in the case of promoting this book, I could create a bumper sticker, shirt, magnet, saying "I make money while I sleep. Ask me how."

#### **EMAIL SIGNATURE LINKING**

An easy tactic to get more web traffic is to add a *signature* to your regular email. This might simply mention your for-sale product and link to it. Or, it could link to your free stuff, or an opportunity to make money. It's a good idea to keep it brief, relevant or useful to the people you send email to, and... you've guessed it... focused on getting them to click the link.

If you use Mac OSX's *Mail* as I do, you can easily create signature files using Mail>Preferences>Signatures. Other applications have their own method.

#### DIVERTING TRAFFIC FROM THE BIG SITES

If you wanted to get run over, would you go stand on a dirt road in the middle of nowhere, or would you go and stand in the middle of an eight-lane freeway?

Obvious, isn't it.

If you want *traffic* to come to your web site, one of the very best things you can do is to go to the biggest web sites in the world; the eight lane superhighways of the internet, and put up *signposts* directing people to your site.

When you say "web traffic", most people immediately think "Google" and so they pour all their efforts – and often *too much money* into trying to get traffic from Google.

Google can be a phenomenal traffic source - but it is not the only one! Google is only one of many *huge* web sites that are out there. Go to <a href="https://www.alexa.com">www.alexa.com</a> and take a look at the *Top 100*.

Each of these sites has *massive* traffic – enough traffic to make you rich, if only you could divert it through your site.

And most of these sites have their own set of methods by which you could – or may not - do so. In very many cases such methods might be entirely legitimate and within

the Terms of Service of the site: But you'll need to check – and it's to be expected that the requirements and limitation of each of the big sites is highly specific.

Some sites try to make it difficult for you. Their terms of service are quite strict now – and they have to be, to stop people from *gaming the system* too hard!

But many sites still have great potential in this regard. Find out which of the major sites *allow linking*, and which ones allow you to post content which will attract major traffic.

You'll likely either need *some lateral thinking* or some inside knowledge in order to discover the best methods of driving traffic from any given major site. Web searches for related articles will produce some good ideas; as will examination of the site in question, its most popular content and its users.

## SOCIAL MEDIA SITE MARKETING and WEB 2.0 VIRTUAL REAL ESTATE

"New developments on the internet have a fast lifespan. They burn bright and hot for a few months, and then they die." -- **The Rich Jerk**, blog.

Some of the biggest, most trafficked sites on the internet are the major *social media* sites: Friendster, Orkut, Hi5, Flickr, Squidoo, Facebook – the list is endless.

Essentially, these sites allow you a) to create a *user profile* and customize it in order to portray an interesting, attractive or unique *online presence* and b) to interact with other users through messages, forums, comments, content sharing and the like.

Social media site themes typically focus around one or more types of content, or content sharing activity – such as video sharing, creative user profiles, photo sharing, special interest groups and dialogue.

In current terminology, *Virtual Real Estate* is usually associated with the purchase of domain names. However, one can see a user profile at one of the huge number of Web 2.0 sites as a piece of virtual real estate which can be obtained for free and possibly used either to drive traffic somewhere else, generate links, attract search traffic or to market a product or service directly.

I first hit upon this concept after reading an absolute beauty of a <u>blog post by Eli BlueHat</u>. Eli concentrates on the concept of getting *keyword real estate* at major sites. However, the *real estate* that you create on Web 2.0 sites needn't be focused just around major keywords and type-in traffic – it can be focused around a more complete user profile, community presence or quality content which will itself drive traffic and pick up long tail search, in addition to building links.

#### Don't abuse it

As a policy for longer-term success, I would suggest creating profiles which are more likely to attract and send *targeted human traffic* to your pages.

Be careful not to violate terms of service or get banned: Each of the major web sites in the will have its own quirks, rules and loopholes. Some sites appear at present to be perfectly ok about – for example - videos being posted which are commercial in nature and will be used to drive traffic to another site. Others strongly disapprove of profiles which exist for commercial reasons – and of course will come down with full force on users who attempt to spam or phish. Don't spam – and be sure to check all ToS for yourself.

Some have abused VRE 2.0 and have created *fake profiles* or have used some other form of trickery. I would not advise this. These are usually a violation of relevant terms of service, if not actually fraudulent. A standard trick for such fake profiles is to use a swiped photo of a gorgeous model. This of course gets a lot of clicks – and by various seductive methods the user is unwittingly lured away to some other web site. I of course do not condone such activity at all. It is however an interesting demonstration of the power of human desire and how it is manipulated. But ultimately, fake profiles and *spammy* activities can only harm credibility of a serious enterprise – and possibly land you in very serious trouble. As always, I recommend creating something genuine, adding to the wealth of the world and attracting genuine interest. There's no harm in creating a *presence* on many networks and using this to funnel traffic. Don't spam, follow the terms of service carefully, especially regarding the use of the site for commercial activity, and try not to get the boot...

# **Getting involved**

A typical, if time-consuming way to do develop a useful Web 2.0 VRE might be to create an eye-catching, attractive profile, build a big *friends list*, participate in the community, write articles and link (where applicable) to some desirable free content on your own site. There's a fair amount of work involved in creating and maintaining profiles on may different web sites – but once you have built one good profile, you can to a great extent use it as *boilerplate* for many of the others.

The amount of traffic you get to your page will often depend on key factors such as headlines; keywords and tags; how eye catching your thumbnail photo is; video or photo titles; if it is a blog site, the *linkbait* nature of the blog title. I have had great success with video sites, wordpress.com blogs and others. Again – be sure to check the Terms of Service for what is allowed.

# Challenges

A potential downside of the technique is that it may be a lot of work to create and maintain a network or *community*. Some sites will require more *ongoing effort* and

contribution to the community than others, in order to maintain a presence and generate sustained pageviews. Depending on the nature of the community and your presence, you might end up wasting a lot of time, so be careful: But this really depends on your strategy and its effectiveness. For example, in the past, I devoted great effort to online discussions on various sites – and the net result of all this activity was pretty much nil: it resulted in little traffic, and is now buried so deep that it will practically never be read. However, at the time, I did not have much of a specific strategic objective, and did not know much about what makes people click.

It may take a while to create a number of effective profiles across the major social media sites – but the good thing is that once they are up, they will likely continue to receive visitors – and the cumulative effect of this can be a steady stream of traffic directed to your own site. With the large number of Web 2.0 sites out there now, there's really no limit to how much energy you could put into this, or the scale of results you could achieve. Start at the top; maybe avoid sites that take a negative attitude towards overt forms of self promotion, and work your way down the list until you feel that you have done enough.

Another thing worth noting is that users of some Web 2.0 sites are more likely to leave the site in question in order to visit your site; whereas others are less likely to want to leave the *mother ship*.

Also, traffic from certain sites will *convert* much better than others. Some internet marketers are entirely wary of web 2.0 traffic, believing that it doesn't convert well in general. I think it depends largely on the network. Youth demographic sites, obviously, will be more likely to consist of users who may not have credit cards, or may have less money to spend in general. So... you've guessed it... the only real way to find out is to test – and to search online for other opinions and success stories.

For example, a site that generates some good traffic is <u>www.stumbleupon.com</u> – however, stumbleupon may generate some good pageviews, but it is said that stumblers tend to be to some extent *surfing randomly* and therefore less likely to buy.

Web 2.0 *Users* are very often wary of *overtly commercial* content – as they tend to face quite a barrage of marketing already.

So depending on your niche, some sites may be better suited to your promotional efforts than others. Obviously, if one starts to *shine* as a major traffic source, you could concentrate your efforts on it. You can track these results using Google Analytics.

Be sure to include *keywords* in the text and *tags* of your profiles. This will increase the likelihood of your virtual real estate pages coming up in searches.

# A note on interlinking

You might already be considering experimenting with *interlinking* between your VRE 2.0 pages as a way to boost pagerank - but I am not sure what Google's *exact* policy is regarding reciprocal linking between Web 2.0 profiles, and whether this is currently considered as a *link scheme* which would be subject to penalty.

Google advises against participating in link schemes – and it is known that subdomains / sites on the same IP address which are heavily interlinked <u>may be penalized</u>.

Policies in this regard tend to change rapidly - and as VRE 2.0 techniques are starting to gather major momentum right now, there may well be changes soon in order to combat abuse of these techniques. In short, you may be better off linking to your main site in one direction only.

## **Further reading:**

http://www.doshdosh.com/a-comprehensive-guide-to-stumbleupon-how-to-

build-massive-traffic-to-your-website-and-monetize-it

http://www.seomoz.org/blog/social-media-marketing-eh-lets-see-whats-in-our-

bag-o-goodies

http://en.wikipedia.org/wiki/Social\_media

#### **VIRAL VIDEO**

People *love* watching *bite-sized* videos — and if these are hilarious, touching, sensational, useful or cute they will often share them with their friends. Videos can get spectacular numbers of views if they *hit the front page* of a major video upload site. The article in the Wikipedia link below lists over 20 such sites.

Viral video is quite possibly the most powerful promotional tool around. Many viral videos are silly or pointless but this is not the whole story – and not what I recommend you aim for if you are, unless perhaps if you are selling beer or something....

One type of viral video that is of immense use to the marketer is the *tutorial video*. People love to learn from video tutorials. Their nature as something that works on both our auditory and our visual circuits makes them a perfect learning tool.

You could create a complete series of short tutorial videos / "how to" videos, and upload these – each with a link back to your own site in the "about". This is a project I am currently working on.

Don't forget to mention other free content which people could get when they visit your site. Each tutorial video should have an eye catching, snappy title which includes keywords, and a good "freeze frame" (the frame that appears on the thumbnail for the video), and good tags helping it to be found in searches. Each of these videos will pull in some traffic and will help users to find the other videos. (tip – try making the title of the video "how to ... etc. ")

Taking a look at video upload sites now I can see that the good ole' gaming the system tricks are appearing in force. I wonder how long it will be before things change.

Concentrate on creating quality content and it will continue to have value and be usable for other forms of promotion; you could embed your videos on any web page and promote them in numerous ways.

And of course... check the terms of service to be sure what's allowed and what's not. Certain sites have policies which - for example – prevent users from embedding aggregated videos in order to create pages solely to drive advertising revenue.

Try to create content which is genuinely useful or entertaining – you're less likely to upset anyone that way.

For further info and a good list of *video hosting sites* – see <a href="http://en.wikipedia.org/wiki/List of video hosting websites">http://en.wikipedia.org/wiki/List of video hosting websites</a>

#### VIRAL PDFS

"Everyone's an expert at something" -- Anon

Viral PDF ain't no new thing. It may have been overtaken by viral video as one of the ultimate ways to spread an idea around the world – but it can still be incredibly effective if it is done properly. Viral PDFs – free PDFs designed specifically to be given away in large numbers - have a life of their own and can spread around the world all by themselves, ending up in all sorts of places. If they have: A juicy, clickable title (and let's face it, who doesn't want a free eBook that sounds incredibly interesting?); some truly useful info; and a link back to your site (with an offer of more free stuff of course) - they could be getting you free traffic for a very long time.

# Content (is, you've guessed it... still king)

The best way to write Viral PDFs is to write about something you are really good at. It could be anything. Really. Make it original, entertaining, useful. Be yourself. The more genuinely brilliant and useful the thing you are giving away, the more people will want to share it.

This is a prime example of the technique of *turning your knowledge into intellectual property*. If for example you make jewelry, you could expose a whole new audience to your work by giving away tutorials on certain aspects of jewelry making.

Another advantage of sharing your expertise with an entirely new audience is that you can develop a positive reputation as an authority – and this can likely increase sales. Make your free PDFs as good as you possibly can. It will be worth it – from the point of view of developing reputation, introducing new audiences to your skills, and also from the point of view of not adding to the vast pile of *garbage* that is out there.

One advantage Viral PDFs have over blog content is that they end up on hard drives – where they will quite often be rediscovered later – maybe even by another person altogether. Most people don't save blogs – although they might link to them. Viral PDFs also tend to get bundled into big collections – and given away *en masse*.

The downside to is that there are a *ridiculous* amount of these things out there. You'll need to make yours stand out. Make them genuinely useful and people will keep them.

#### Clickable titles

This is one of the most important things to do: Give your viral PDFs juicy, clickable, irresistible titles. People simply can't resist titles such as "The 12 Biggest Secrets Of xyz"... "Six Free Ways To Improve Your xyz"... "101 Tips For xyz On A Budget" ... "40 Amazing Techniques For xyz That The Experts Don't Want You To Know"... "How To Get The xyz Of Your Dreams Without It Costing You A Cent"...... etc etc etc.

Book titles are known to have an *enormous* effect on sales. Here's a <u>classic</u> <u>example</u>. It is the same with a free PDF: Make your title into a headline that is impossible to refuse. Use the aforementioned attention-grabbing *power words*. Howto guides are perennially popular. And of course, people *love* 101-type lists.

# An easy way to get great content that you might not have thought of: Your own work

Chances are, if you are a writer, that you have tons of content lying around. I know I do. You could hack apart a major work or an unfinished book into numerous free PDFs. You could use material from a for-sale work as a "sample chapter". You could even take your old *retired* blog, and with a little adjustment, create a whole suite of PDFs, one from each post. In my own case, I created a whole series of free PDFs with a *brand identity*; the "*Alex Newman Free Guides*". By numbering and branding them I encouraged people to want to *collect the whole set* – and each one therefore drives traffic back to my site as well as increasing overall brand visibility.

Another trick used by some writers is to give away a PDF with the same title as one of

their books for sale – but only containing a preview of the book and a link. I am not quite sure that such a pseudo-deceptive tactic would be a good long term strategy. Alternatively – you could give away a *sample chapter*.

## **Getting your PDFs out there**

There are literally *tons* of ways to get your PDFs out there. You can attach them to emails as free gifts. You can post them on web pages. You can link to them from Web 2.0 sites, forums and blogs. You could offer them to others as gifts they could give away as bonuses bundled with their other products.

If you manage to get your free eBook bundled with for example a piece of software that gets *megatonnage* downloads, you could get thousands or even hundreds of thousands of hits over a sustained period. As a super tip for this; you might wish to consider writing content which expands upon a software manual, giving "free bonus tips" or secret techniques that can be used by users of that software; maybe even try pitching it to the manufacturers — who may well be delighted to be able to provide additional resources which add incentive for people to become users of their products. You can also promote the heck out of your free tips on the networks and community hubs used by that niche. See if you can expand on these possibilities.

Another amusing tactic you *might* use — or might wish to avoid totally - is to put the free PDF up on one of the *evil download networks* that, as an author, one dreads that one's for-sale work will end up on! :) This might get you a lot of free traffic and brand penetration — but it's worth noting that many of the people frequenting such sites have an *attitude* against paying for stuff anyway! It's really hard to say whether the benefits of this technique will outweigh the negatives — and the chances are, if it's any good or has some sensation value, your stuff will end up on there anyway. There's little point in trying to convert the demographic who are determined to get stuff for free: Concentrate your efforts on those who are *likely to buy*.

Another related field is that of <u>article marketing</u> in general. This involves posting your written content to sites such as <u>www.ezinearticles.com</u> and many other online locations. There are a huge number (surprise surprise!) of free articles out there on the subject of article marketing – and a quick Google search reveals a huge number of results.

If you are going to go for Viral PDFs as a marketing technique, I suggest building up a branded series or catalogue of work centered around your niche. Link each PDF to your main products and to the page where the other free PDFs can be downloaded. You can thus develop targeted traffic, reputation and brand awareness all in one go.

Final tip: you *could* include affiliate links in your free eBooks as an additional way to generate revenue. However, please note the FTC regulations on affiliate marketing - <a href="http://www.ftc.gov/os/closings/staff/061211staffopiniontocommercialalert.pdf">http://www.ftc.gov/os/closings/staff/061211staffopiniontocommercialalert.pdf</a>

## Also see this article for more info

Note – PDFS and eBay. As mentioned in Chapter 18, eBay's new policies seriously diminish its viability for use in viral PDF marketing. Another example of an internet strategy having a finite life-span! This one was good for a few years, but once again, the devaluation caused by gaming of a major web property has caused a policy change. Free eBooks are however immensely popular and there are still tons of ways to give them away for free.

Please see Chapter 31 for info on the technical part of creating PDF files: You should be able to make your PDFs for free.

#### SEO and SEARCH ENGINE TRAFFIC

Search Engine Optimization (SEO) is the art of improving a site's *ranking* in search engines. It is an extremely complex subject – and there are countless strategies which might be employed in order to improve your site's search engine placement.

Getting good search engine placement is highly desirable – because search engine traffic can be one of the best forms of free traffic on earth: It is typically *targeted* – because terms users have typed in are relevant to the content on your page - and can possibly be high volume.

Most people aim their SEO efforts at Google – because Google is the most highly trafficked search engine – however, there are of course a large number of search engines – each with different algorithms and ways of ranking pages.

I'm not going to say *too* much about SEO – primarily because there is some really great free info out there – and this really says it better than I can. It's a massive subject. I recommend the work of Aaron Wall – and there is a huge amount of valuable free SEO information available on his fantastic web site <a href="https://www.seobook.com">www.seobook.com</a>

# A few quick SEO tips

1 ) SEO can be divided into two types: *On site* and *off site*. Do the on-site stuff first: For example this may involve making sure your code is error free, making sure your site is *visible* to search engine bots, making sure your Title and Heading tags contain relevant keywords and are attractive to searchers; etc.

The entire process is quite involved - do a Google search for "on site SEO" and you will get vast quantities of advice on this, just a few clicks away! Here are a couple of good ones:

http://www.seomoz.org/blog/24-onsite-seo-checkups-even-a-clueless-developer-marketer-should-do-when-launching-a-site
http://www.alibiproductions.com/2007/10/18/13-easy-steps-to-on-site-seo-and-how-to-implement-them/

- 2 ) Search Engines have become much more sophisticated than they used to be. They are getting quite good at *weeding out spammy pages* therefore, take a note from Google and make sure that your site consists of *pages created by humans for humans*.
- 3 ) Search Engines look for keywords. If your site is entirely *flash*-generated or is mostly images, there will be little there for them to find. Write chunks of good, interesting content and this will help you to pick up some *long-tail search* traffic. Resist the temptation to *keyword spam* your text and instead create variants of your keyphrases when they appear. *Long-tail search* is where a searcher has typed a longer phrase into a search engine: There is less competition for these longer phrases as they may only exist in a few web pages, and there is no accurate way to predict when someone is going to type them; however if you have some good content, chances are you will pick up some *long-tail*.
- 4) Google's current system is to rate pages using a thing called *Pagerank*. Pagerank is assigned primarily on the basis of how many links there are to your site and of what quality these links are. Google's exact algorithms are top secret and also may be subject to change. One of the primary methods of improving your Google placement is *link* building as Google measures both the number and the *quality* of incoming links. There are many methods of link building and it is important to note that some of these might harm your site's search engine rating. However, the good thing about link building, is that in addition to improving your possibilities for search engine traffic, you also increase your traffic from the links themselves. I have included a small section devoted to link building, below and several links to useful further reading.

## The Trouble With SEO

The trouble with SEO is.... that it is *incredibly time consuming*! There's seemingly no end of work to do; it's a huge mission, perhaps for several months or a year, to build a big pagerank. Of course, when you *reach critical* mass, your traffic and therefore income could go through the roof. If you do manage to make the first page of Google for a popular search term; you are probably going to do very well. However – it is difficult. And **complex**. Take a look at **this article** for an intense example of just how technical it can get at the advanced level.

Don't be alarmed though – there are plenty of simple strategies you can use which will be beneficial. Be prepared for a period of intense work.

The other problem with SEO is that search engines change their algorithms regularly. They do this in an effort to make sure that the *best* web sites are the ones at the top of the search results. All SEO is in one sense, an attempt to manipulate the search engines. So, SEO is constantly changing. It is somewhat unstable.

My final advice: Unless SEO is a subject that really *appeals* to you, I would advise investing some energy into it, but not too much. Again, **www.seobook.com** is one of the really good sources out there. Of course, if SEO does really appeal to you, you could learn it inside out and also make good money as an SEO consultant.

There are many other ways to get traffic. Whichever methods you use are likely to cost you some real effort. See if you can find sources of traffic which have some long-term potential.

#### LINK BUILDING

\*\* Update 1/10 – I've just published a 110 page book about link building – <u>The Link</u> Building Black Book. \*\*

I highly value link building as a worthwhile activity in internet marketing. It needs to be done well though. Bad links can be just as harmful as good links can be beneficial.

First steps though – get your site complete and your *On-Site SEO* together first (above).

Next, try these two super tactics to get some relevant, High Pagerank links:

1) <a href="http://www.iwebtool.com/backlink\_checker">http://www.iwebtool.com/backlink\_checker</a> Use this to examine the sites of your competitors. See which high pagerank pages have linked to their sites, and see if you can get a link from those pages. Sometimes this may be as simple as leaving a comment or submitting your link to a directory. If you are leaving a comment, be sure to say something useful and relevant. If you are not motivated by the content you are viewing, it may be best to find another article which moves you.

# 2 ) http://www.seochat.com/seo-tools/pagerank-search/

This is a fantastic tool. Use it to find high pagerank pages with search terms that relate to your site. Similarly to 1) above, you may easily be able to get a link from these pages by submission; or you might ask for one.

#### **Enthusiasm**

One of the best techniques of link building... is simply to put up stellar content! This is too often overlooked. When people discover a web site that they get incredibly excited about, they want to share their discovery. There's no better link than one

created by enthusiasm.

## Go where you are wanted

Here's a fantastic link-building idea — one that struck me like a flash of light: Most people are concerned with just *getting links* — regardless of where. However, wouldn't it be good to be able to drop links in places where people *will actually be glad you did* it? The good news is, you can! If your site provides a solution or answers certain specific questions, you can use search engines to find people asking those exact questions, and then provide the answers! Let's say for example you have a site providing free ringtones for the iPhone (as I do.) You could simply Google "where can I get free ringtones for iPhone" and multiple variations on this question. Many people will be asking this question in forums — and so you can then visit the forum and drop your answer and your link. You will not be spamming if you are answering people's exact questions and making them happy!

Taking this a step further, you can do some research to find out some of the questions people are actually asking – and then create pages on your site answering them. So in this instance, I found many people were asking how to create their own ringtones. I simply created a page with a detailed tutorial, added it to my site and then pointed people towards it.

I recommend this way of thinking: You are building popularity by aligning yourself with the needs of potential customers. There is huge scope in this area – and it can be a great way to build links for traffic as well as pagerank.

It also demonstrates another aspect of the power of search engines – using them to find customers and *the people asking the questions* as well as the people providing the answers.

# Link building articles

Finally, here are some links to great link building articles / resources. There's enough info here to keep you out of mischief for as long as you could wish:

http://www.seobook.com/archives/001792.shtml

http://www.seomoz.org/blog/5-rare-valuable-link-building-tactics

http://www.seomoz.org/blog/who-has-the-best-link-building-techniques

http://www.sugarrae.com/11-experts-on-link-development-speak/

http://www.linkbuildingwiki.com/wiki/Main\_Page

http://www.traffickahuna.com/

http://www.BlueHatSEO.com/your-going-to-hate-me/

#### PAY-PER-CLICK ADVERTISING

Ah yes, good old *pay-per-click*. I love this topic! For some reason, I enjoy setting up pay-per-click campaigns. I think it's the fact that you can set up a campaign, press the button and send an *instantaneous flood of traffic* to your web site.

Or maybe I just like spending money. (Joke).;)

I became *obsessed* with pay-per-click at one point. I mean, really obsessed. I created a massive excel spreadsheet and tracked / compared the essential performance characteristics of the top 40 pay-per-click search engines: Their traffic, Alexa rank, cost per click, startup costs, how well they converted and other metrics. I currently have PPC accounts with Google Adwords, Yahoo, Miva, Marchex, Goclick, AdOn Network, and probably others I have forgotten about...

Some of the many search engines I tried out achieved really good results for me. Others whose names I had better not mention here, sucked. But I am really glad I did this work. Such research and its results was enormously educational — and while during the early stages I made little money, I kept persisting. Now, what I have learned is paying me back. I hope that by reading what's here, you might be able to short-cut some of the expensive mistakes I made.

#### The basics of PPC

The basic concept of pay-per-click is that you sign up for an account with one of the companies offering pay-per-click advertising and create ads (either text or graphics) which the company will *host* – either on their search engine results or on the "content network" of sites of their advertising partners. Typically, you will either bid a certain price per click to have your ad rank in the results of a search for a chosen keyword, or you will pay a set price per click to have the ad appear on the network.

There are many other variants, but one common alternative to the pay-per-click model, is that some companies offer *pay-per-impression*, where you pay a certain cost for every thousand times a page featuring your ad is *viewed*, regardless of how many clicks you get (abbreviation – CPM). This might or might not prove more cost-effective than PPC, depending on the campaign – and the only real way to find out is to *test*.

#### Keywords

Pay-per-click campaigns usually entail the selection of a number of *relevant keywords* - and bidding on them. The higher the bid, the more prominently your ads will appear on search engine results pages. In general, the idea is to generate maximum conversions – by getting the most targeted traffic at the cheapest possible price.

The process of selecting and bidding on keywords is mission critical, as you will find

that certain keywords consistently outperform others. Such *high-performing* keywords are often specific to your campaign and although there are a number of pointers and techniques for finding good keywords, you will very often have to discover the best ones yourself.

Some people try out huge numbers of keywords; others will start with only a handful and narrow down until they find the few which consistently perform best. It is interesting – and amusing – to hear some saying that "the secret" is to have massive keyword lists of maybe tens of thousands of keywords; while others say that "the secret" is in having only a handful of keywords. As a response to this... rather than saying that anyone is *lying*, I would suggest that both these strategies can be made to work, under different circumstances. A *really good marketer* will test both, *understand the conditions under which each strategy will fail or succeed*, apply accordingly... and then of course write an eBook on the subject which they can sell on Clickbank...;)

(There's always a good potential market for quality research which people can apply in order to increase profits.)

Another way to get some insight into top performing keywords, ironically, is to see which are the most expensive from a group of similar keywords over a consistent period of time! You can be fairly sure that if people keep on paying good money for these keywords, it is because they are working (for them). Use the **Google Keyword Tool**, generate some keyword phrases based on your main theme, select "Match Type: Exact", choose to display the "Show Estimated Avg. CPC" column.

You might then optimize your pages for these terms – or use those keywords on another cheaper PPC system!

This idea gives you a feel for what top-performing keyphrases might look like. Be aware that other people might have success with these keywords on other products – success which might not translate to the product you are selling.

For a bonus trick, you might do this research on Google and then experiment with small bids on those exact keyphrases on a cheaper PPC engine. However, just like good domain names, certain good keywords fall through the cracks - there are also likely to be certain keywords and phrases which are specific to your campaign that others will not have thought of or will not be bidding on. These are often the best ones and the only way to find them is by methodical experimentation.

#### Campaign positive and campaign negative keywords

There are certain phrases which people who are looking to buy, type in. And there are other phrases which are more typically entered by kids, people who are just surfing for entertainment or research, or those looking for *free stuff*.

Here are some of the best keywords and words to include in keyword phrases. These are words used by people who are *shopping or actively seeking solutions*. There is pure gold in this list!

| buy |                   |
|-----|-------------------|
| buy | now               |
| buy | location          |
| buy | online            |
| buy |                   |
| buy |                   |
| buy | on the internet   |
| buy |                   |
| buy |                   |
| buy | with credit card  |
|     | using credit card |
| buy |                   |
| buy | with paypal       |
| buy | using paypal      |
| buy |                   |
| buy | instant online    |
| buy | cheapest          |
| buy | instant download  |
|     |                   |

where buy where to buy where can i buy where can you buy where do i buy where do you buy where should i buy best place to buy purchase learn learn to learn how learn how to learn \_\_\_\_\_ fast best \_\_\_\_\_ product how how to stop get rid of quit sell get cheap cheapest discount best discount best buy best low price best price cut price

lowest price

reduced price

Create as many permutations of these phrases as make sense, mixing in your keywords. You should be able to make a really juicy list.

There are further permutations that get less searches, but have less competition and are therefore cheaper. Ideally, you want the keywords with the highest conversion rate.

"Buy now" and variations on this theme are what is known as *campaign positive* keywords or "trigger words. I recommend creating a text file with as many campaign positive keywords and permutations of your key phrases as you can and keeping this handy – that way, you can add these keywords to every campaign that you do.

Similarly, it is good to eliminate *campaign negative* keywords from your campaign. The most obvious of these would be the word *free* – but there are others. Adwords in particular allows you to *screen out* campaign negative keywords; and anyone typing these in will automatically *not* be shown your ads – an incredibly useful feature that some other search engines still do not have.

You could do searches online for further campaign positive / campaign negative keywords: or use a thesaurus such as <a href="www.thesaurus.com">www.thesaurus.com</a> to discover more variations.

Whatever you do, it's important to test and to track your results.

#### Tracking, testing and variables

There are many *variables* involved in pay-per-click advertising – and your task is to manipulate these variables in order to create a successful campaign. It is complex to explain how all the variables interact – as doing something that adjusts one will often affect the others. Testing is essential.

The most important statistics to observe are:

Number of clicks.

Cost per click.

Click through rate (as a % of total number of times the ad is viewed).

Overall spend.

Number of sales.

Number of lead acquisitions.

Return on Investment (money earned vs. money spent).

Net earnings per day versus time spent (the "is it worth it" factor!)

There are an enormous number of things you might do which affect these stats.

Choice of keywords, background color of ad, landing page factors, ad wording, ad headline, choice of font - all these things and many more can affect your campaign, often in surprising ways. I suggest either split testing or changing one thing at a time (see the section on testing in Chapter 30) and noting results before moving on.

#### **Keyword tracking**

A *critical* factor which affects the performance of a PPC campaign – yet which in the past was often either difficult or impossible to ascertain – is that of tracking which specific keywords are the ones leading to conversions.

It is known that certain keywords will lead to much better sales than others. However, many PPC search engines do not provide tools which allow you to track individual keywords. The ability to find the "magic keywords" which are more often typed in by buyers, and to weed out the ones that are more often typed in by those just browsing... this factor alone can make the difference between a highly profitable campaign and a failure.

The good news is that there are now tools out there which enable PPC keyword tracking: check out <a href="www.keywordradar.com">www.keywordradar.com</a> and <a href="www.prosper202.com">www.prosper202.com</a> (Prosper 202 is free.)

It takes a little work to understand keyword tracking and things like "Sub-ids" - but it is worth the work. Prosper202 has some useful video tutorials – and there's other information out there.

#### Lead acquisitions

Sometimes, your target might not be just to make immediate profit. It might be to raise overall *brand awareness* with a view to long term growth. Also, it might be to *acquire leads* – very often this means getting names on an email list.

#### **Return On Investment (ROI)**

This is one of the most important statistics to measure in a campaign. ROI or "conversion" statistics are the amount of money you actually make, versus the amount you spend. ROI tells you whether you are in the red or in the black.

You might, as I once did in my *green* days, get 25,000 one-cent clicks and not a single sale. (More on that spectacular failure in a moment!) Or, you might pay two dollars per click and make a profit. ROI gives you a figure that indicates a campaign's overall performance.

The reason why ROI is not *the* most important statistic is that you might have a terrific ROI – but if you are only getting one or two clicks per day and selling two five-dollar

products, you won't hit the big time. You do want to get the best ROI that you possibly can. But you also want a high number of clicks - and a high daily profit.

ROI and daily profit are the most important figures to observe when you make changes to your campaign. I suggest getting the campaign to show consistent ROI on a small scale before *going big*.

#### **Click Through Rate and Quality Score**

Some people make a big deal out of click through rate – Adwords likes to reward advertisers with a higher click through rate by giving them cheaper clicks. Adwords (and now Yahoo) judge your *quality score* and determine your minimum click price in relation to the click-through rate (CTR) of your ads – in addition to other factors.

Google's own statements and breakdown of the complex factors which affect Quality Score can be found **here** and **here**.

However, in my view, there is a problem with the assignment of Quality Score based on CTR: You don't necessarily want your ads to have the highest possible click-through rate!

Why ever not? Because, what really matters is not how much traffic you get but how well your traffic converts.

For example, you could easily use *sensationalist tactics* to get your click-through rate up... but then you might be wasting money getting all sorts of visitors who clicked the ad impulsively but really had no intention of buying in the first place.

Personally, I'd sooner write an ad with wording which attracts people who are *likely to buy*. That way, and my working with keywords which lead to high CTR (or by using search engines that don't employ *quality score*) I maximize my Return On Investment.

One of my favorite headline phrases to use is: "Shopping for \_\_\_\_?" This specifically targets people who are *actually buying* – and the ones who immediately think "That's me!" will be more likely to click. Can you see how this kind of ad text, in conjunction with certain specific keywords, is more likely to generate *clicks that convert?* See if you can create wording for your ad that makes those who are likely to be your *actual* customers say "That's me!". Aim straight for them, and don't be afraid to *exclude others by implication*. Then, concentrate on getting cheap clicks; keywords that your actual customers are likely to use; and creating effective landing pages.

Another thing which is worth trying in order to discourage the freebie-seekers is to put the price of your product in the PPC ad. You probably won't get so many clicks, but the ones you get might convert better. So ultimately it's something of a trade off. If you are using Adwords I suggest concentrating on improving your landing pages in the other ways Google recommends, and concentrate on getting *clicks that convert*.

**Here is another article on Quality Score** – hot off the press – written by Google's Fred Valleys.

#### Which search engine?

I have run pay-per-click campaigns on many different search engines. The ones I have had the best results with on a small scale are Miva, and Enhance. These have a combination of cheap clicks, simple interface, decent traffic and not too many complex or petty rules.

The "big three" - Adwords, Yahoo and MSN have the benefit of being able to generate large volumes of traffic – but at a higher cost per click. It becomes critical to make sure that every aspect of a campaign's conversion is working. Ultimately the cost per click isn't as important as whether the campaign is "converting in the black" - and then doing so with the highest possible traffic volume.

Adwords in my opinion has pros and cons. I like the advanced tracking and keyword research facilities. It is easier to find out which *actual* keywords are converting than it is with many of the smaller search engines which don't feature such advanced tracking – and so with Adwords you can more easily find your campaign's *magic keywords*. However, I am not a fan of the super-high cost of clicks and the whole business of Quality Score, which I believe to be convoluted and distracting.

Also, the Adwords' Quality Score algorithm has been known to change - and this can seriously affect the profitability of a carefully constructed campaign, overnight.

( sources - <a href="http://www.marketingpilgrim.com/2007/02/google-plans-adwords-algorithm-change-expects-complaints.html">http://www.marketingpilgrim.com/2007/02/google-plans-adwords-algorithm-change-expects-complaints.html</a>
<a href="http://www.seorefugee.com/seoblog/2007/02/16/minimum-bid-1000-on-google-ppc/">http://www.seorefugee.com/seoblog/2007/02/16/minimum-bid-1000-on-google-ppc/</a>
<a href="http://www.seorefugee.com/seoblog/2007/02/16/minimum-bid-1000-on-google-ppc/">http://www.seorefugee.com/seoblog/2007/02/16/minim

I prefer search engines which guarantee a minimum click price – and as you know, I am a fan of long term strategies what don't require constant tweaking.

Others however get fantastic results with Adwords – especially through creating campaigns highly optimized for ad and keyword relevance. Here's a fascinating video about Google Adwords and the "Google Slap": <a href="http://www.wholesaletrafficsystem.com">http://www.wholesaletrafficsystem.com</a>

Yahoo also now implements Quality Score to determine its minimum click price. Depending on your campaign and the product you are selling, your results may vary

considerably from mine. Ultimately, what I would recommend is that you *test* a variety of strategies and see what works. Try the same campaign across a few search engines and see what gets results.

A good list of some of the top PPC companies can be found in the <u>list of exhibitors at</u> the <u>SMX Expo</u>.

#### Small search engines

I have tested out a number of these. Benefits can include ultra-cheap clicks – often 1c or even less per click. However, some of these really don't get you very much traffic. I remember one campaign on a certain 1c-minimum-click search engine, where I had several thousand keywords and was getting about one click per day! The whole thing was a giant waste of time.

However, in other instances, I have been able to create controllable *traffic floods* for little money, which can also be used to test different performance metrics of a web site in very interesting and useful ways.

#### Traffic quality

One thing to watch out for is the varying *quality* of traffic on different engines. Depending on the strategies used by the search engines, the traffic you end up with might be of varying value. Some advertising services deliver a flood of clicks, but due to the type of networks they place their ads on, these may not result in many conversions.

Content network traffic is often seen as of lesser quality than Search traffic. This is because search traffic consists of those who have actually typed in a term which (hopefully, if you have chosen good keywords) relates strongly to your product or service. Network traffic may be more likely to consist of people who have randomly clicked your ad out of curiosity – people who are not necessarily seeking specific solutions. Network traffic is often cheaper, and may result in less sales - but can be cost-effective for raising brand awareness. It may be better for more mainstream products - as your ad is more likely to appear on more mainstream web sites.

However, there are several things you can do to improve the quality of content network traffic – and some people are using it with great success. Here's **a great article** on the subject from the mighty RJ.

#### Run-Of-Network traffic

Ah yes I remember once, back in the day, getting over 25,000 one-cent clicks in less than an hour from an advertiser using a Run-Of-Network campaign...

I was *direct linking* as an affiliate to a highly successful product with a high commission. I created slam-dunk ads that were hugely clickable. I only needed one sale from every 5,000 clicks to go into the black. One sale out of 5,000 clicks. I naively thought I was going to hit the jackpot. I thought "Why doesn't everyone do this?"

Well, they did warn me that Run Of Network generates major traffic...

The thing went ballistic - over 25,000 clicks in about 40 minutes before I had a chance to *turn it off!* 

I didn't make a single sale.

The only way to find out is to test. And don't forget to set your *maximum spend* to a low figure until you are sure you are getting solid results!

There are also other services which offer "huge numbers of clicks" for a low set fee. You need to be careful here, I've heard stories that some of these services are dishonest and will use software or some other trickery to generate "fake" clicks which will not result in any sales for you.

#### Final note

During my early experiments with PPC, I tried using PPC *naked* – in other words, it was not really *part of a spoked wheel*. I simply bought traffic and sent it to affiliate pages; to my own pages with some info and ads; and so on. Like any beginner, I didn't really know what I was doing.

Doing PPC this way I didn't really make much money. I persisted; tried different search engines, different ad copy, different keywords, different keyword strategies, different affiliate products.... in truth, it made nickels and dimes, not really any *hard cash*.

Keyword tracking makes a huge difference. And when PPC is used as part of a *spoked wheel*, things change again. This is important. When used in combination with an email list, your own product for sale, an affiliate campaign, free gifts, other traffic strategies, and working as an affiliate for other businesses – then things start to get interesting – and profitable.

Principally, instead of your five cent clicks getting you visitors who either buy a product or leave, you create a *retention strategy:* If you get visitors to sign up for your email list, you can then market either your own, or others' – products to them ad infinitum – at no extra cost. Updates in the product, new free materials, all these things are good reasons to send out an email...

#### PART #5 SUMMARY

Well, all this web design and construction might seem like a ton of work – and in all honesty it is a lot of work.

However, once the work is done and your sites are converting, if you have *got it right* on all levels, you may well look forward to a period of time where you do indeed earn a great deal of money while you sleep.

Pay-Per-Click does have a frustrating habit of keeping you busy though. Keep a daily eye on your campaign stats... and watch out for the "Google Slap"...

# Chapter 35 JUST A FEW EXAMPLES OF INTERNET COMPANIES THAT HAVE HIT THE BIG TIME - AND WHY

#### **PlentyOfFish**

This site, incredibly, is run by just one person. He has beaten the big dating sites at their own game. How? By making the site entirely free, and making all his money from advertising on the pages of the site. By having no membership fees, he created a desirable site which attracted a huge number of subscribers. And then by clever use of advertising, and affiliate links to other sites within his own niche, plentyoffish.com has gone on to be one of the biggest dating sites in the world and has made a fortune. The site includes many free features which add greatly to the user experience - such as questionnaires which "match" users to others who may be compatible. Such features are often expensive on other sites. There are other reasons why this site has been successful - including its low tolerance for "fake" profiles.

#### **Google**

Most people will say that Google's Business model was a search engine. That may have been their first product – but it wasn't the *model*. The model was – and is – to achieve niche domination by building the best, most useful, most powerful web tools which attract massive traffic – and to give them way completely free.

By doing this, together with *world-class branding*, Google was able to establish itself as a global brand with enormous traffic. From there, it was (I would imagine) relatively simple to monetize their huge global reach through the Adwords / Adsense system.

Getting the traffic and the brand strength in the first place is the hard part. If you can do this, the monetization part should be easy.

http://www.techcrunch.com/2007/04/06/google-launches-free-411-business/

#### <u>Amazon</u>

What was it that caused Amazon to rise to global domination? They don't give books away – they sell them! Where's their free product?

Amazon may sell books – but what brought it to global prominence was its powerful database and ecommerce solutions. Amazon won the game by providing a huge

inventory of books, together with powerful search features and a highly efficient e-commerce mechanism. In short... once again.. they provided the best *free tools* – making themselves into the ultimate *solution* for people searching for books. This is a very important factor for people to consider when going into e-commerce. It is not just about having a stock of products and putting them up for sale. The real winners seem to be the ones who view the online store not just as a place to do transactions – but as a *tool* which enables users to get *solutions* as conveniently as humanly possible.

**Ebay** displays similar high-powered *functionality*, and like Amazon, empowers users, enabling them to create their own *mini-empire* within the store.

For people buying and selling books, Amazon is a much more targeted venue than "the world wide web."

If your site has high volume, niche-specific traffic; you ought to be able to make a lot of money.

Powerful *free* tools – do you see a pattern emerging here. These companies have evolved a reputation that is synonymous with "this is really the only service you need."

#### **Truth About Abs**

This really is a classic example of a small business run by someone who's done everything right. The site was started by personal trainer and fitness expert Mike Geary. Here are some of the reasons – in my view - for his success:

- 1) He used a classic "money while you sleep" format! He took his existing *expertise* and *credentials* (as a qualified fitness professional), and instead of just working to get paid and then working again, created an *asset* of downloadable products which could be sold over and over again at almost zero further cost.
- 2) He is working in the *health* niche one of the big ones and has scaled down to a very specific, highly targeted sub-niche of that niche; which very few others focus on exactly and yet which a huge number of people are interested in: Abdominal muscles! Who *doesn't* want a six-pack? Pure genius!
- 3) He combines several classic internet techniques into a *spoked wheel* format: PPC, email list marketing, SEO, tracking and testing, free content, social proof (testimonials) and more.
- 4) He uses affiliate marketing and provides *tons* of resources to really help motivate, educate and generally make it as easy as possible for his affiliates to make money. Mike has done as much of the work for them as he possibly can. You can see why it works, here: <a href="http://www.truthaboutabs.com/Affiliate-Info.html">http://www.truthaboutabs.com/Affiliate-Info.html</a>
- 5) He uses classic *up sell* methods to sell further products to the same customers.
- 6) The sales materials appeal directly to strong human desires.

Part of his affiliate success - I believe - is also due to his ability to build a sense of

community in his affiliates. They are made to feel as though they belong to a team – rather than just being some strangers selling a product made by someone they do not know. He's built a big team and a big fan base by *empowering his site's users*.

#### Summary

There are countless other web sites that have *hit the big time*. It's always educational to investigate them and try to see what it is about their system that has lead to their runaway success.

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#### **SECTION 5 SUMMARY**

Well this section should have given you a good overview of many real possibilities for making money online.

For those who are looking seriously at the internet, there are many web sites with free information that enable you to learn a great deal more. I highly recommend devouring a good quantity of this online content - this will bring you up to date with what's happening and teach you a great deal.

Here's a good example <u>www.earnersblog.com</u>

#### FINAL THOUGHT

Take a look at <a href="http://www.jimkarter.com/2008-04-06-march-2008-earnings-6134362.html">http://www.jimkarter.com/2008-04-06-march-2008-earnings-6134362.html</a>

Jim is earning \$60,000 per month from web sites – many of them blog / info sites. So, this is something you might try on a smaller scale. Create 10 or maybe 20 nichespecific, keyword-targeted sites, research and write good authority content for each one, pick a handful of the traffic strategies above and in the links provided, monetize using adsense, bidvertiser, kontera, text link ads, a few affiliate banners.... etc...

If you have talent (and speed) as a researcher and writer, this might be worth looking into. You could outsource some of the work once it gets going. It's a chunk of serious work at the outset though – take a look at another one of Jim's posts <u>here</u> to see his SEO strategy for a major site.

# PART #6 AUTOMATED PROCESSES

"The fact is, that civilization requires slaves. The Greeks were quite right there. Unless there are slaves to do the ugly, horrible, uninteresting work, culture and contemplation become almost impossible. Human slavery is wrong, insecure and demoralizing. On mechanical slavery, on the slavery of the machine, the future of the world depends." -- Oscar Wilde, 1895.

"This is Kingston Jamaica International Airport. We've all gone to the beach. Please land your airplane after the beep." -- Comedian Lenny Henry.

#### **INTRODUCTION TO PART #6**

This, to me, is the most exciting, powerful and innovative section of this book. Just like the song... *I saved the best until last*. I have hinted about the incredible power of automation at various points before - now we are going to investigate it fully.

Why am I getting so excited about automated processes? Simply, because they offer far greater possibilities than most people realize, for making spectacular profits.

In the past, automation has led to great changes such as those of the industrial revolution – but a *new wave of automation* is about to begin – involving computers, robotics and the internet.

Automated Processes already touch our lives in more ways than many people realize. However, they are going to become so incredibly, massively important in the next 50 years, and will revolutionize life on earth so enormously, that our children's children will wonder how on Earth we coped with the *seeming utter despair* of "Life Before Automation".

(For a few nanoseconds, before returning to their fabulous lives....)

Automated processes are absolutely the key to a most fantastic future; the key to shortcutting the tedious stuff, so that we can live more interesting, abundant lives. Automated processes, when harnessed properly, are also a key to exponential wealth, and will quite possibly lead to growth without bounds. I really cannot possibly overemphasize the magnitude of the changes that they are about to bring to our lives, and the world.

It is already happening.

Automated processes are absolutely one of the *master keys* to earning money while you sleep. I can state with confidence that those who are *on the cutting edge of automation* and are discovering and applying new, creative and powerful automated processes, may well be some of the ones making the most spectacular and sudden fortunes seen in our lifetimes.

They may, however make their fortunes entirely incognito. Fame is less of a prerequisite of fortune than in past times.

A new phase in the Age Of Automation is about to begin...

Ultimately, the secret of Making Money While You Sleep *is* automation: The automation of moneymaking.

As AP leads into highly technical areas such as artificial intelligence, this field might appear daunting to some. However, I have taken this into consideration and not made the material in this section too technical. It is hoped that after reading this, you will have some creative ideas for useful and profitable ways you can apply automation, whatever your level of technicality. And of course there are links to further information for those wishing to go *in deep*.

But the good news is – that you do not need to be a robotics engineer in order to begin using automated processes!

In this section we are going to investigate methods and principles of automation, the tools that are now available to you, provide some specific steps you can take, and open the lid of *Pandora's Box...* 

# Chapter 36 - FIRST PRINCIPLES OF AUTOMATION

INTRO
THE HISTORY OF AUTOMATION AND THE AGE OF MACHINES
THE LUDDITES AND CHANGE
THE NEW WORLD
THE WORK CURVE OF AUTOMATION
THE MINDSET OF THE AUTOMATOR

#### **INTRO**

In the coming chapters, I will be demonstrating several *automation techniques* that you may be able to apply directly to your businesses and other areas of your life. Some of these will be very simple, others will go a little deeper.

I will also give you a *blueprint for automation* that is intended to help you free up some of your valuable time.

However, my main focus, in keeping with the ideal of this book, will be to teach you the *principles of automation*, not just the techniques.

Automation is a highly creative and *rapidly* developing field - and in order to maximize the money you can make while you sleep, it will be of immense benefit to learn to be able to apply automation yourself in innovative ways. You can *keep up* by copying others: To get ahead you need to innovate.

If you learn to apply automation creatively to various aspects of your life, you may just be able to set yourself free. Create a method of automating a technique that has not been automated before, and you could be on your way to a fortune. This principle has held true ever since the Industrial Revolution, and shows no signs of going away. As long as there is work to be done, there will always be a quest to find ways to do it that are easier, faster, more productive, more cost-efficient and require less effort.

#### THE HISTORY OF AUTOMATION AND THE AGE OF MACHINES

Ever since the first mechanical devices - which were quite possibly the wheel, simple levers such as branches used to move rocks, or devices used to collect and distribute water, machines have played an ever greater part in our lives - and why shouldn't they? They make life easier and enable us to get more done. They enable us to

move on to more interesting things.

The industrial revolution changed the face of the world forever. Just over 130 years ago, Jules Verne (who might be seen as one of the first science fiction authors) wrote "Around the World In Eighty Days" as a fantastic tale of adventure based around the idea that with new transportation and communications technology, such a feat was possible for the first time.

I can now travel halfway round the world in less than a day. I am a mile away from a food store with the finest food from all around the world. Such are the achievements of the *Age of Machines*.

Some may think that the *Age of Machines* has now given way to the *Information Age* - but the simple truth is that the information resides inside machines! And the machines themselves are getting more and more elaborate, smaller, sleeker.

The Age of Machines is not over. We are still using them - more and more.

#### THE LUDDITES AND CHANGE

Nowadays, the term "Luddite" is used to denote someone who is *resistant to change*, or prefers old methods of doing things even when such methods have been superseded by more efficient processes. The term now has derogatory connotations.

The original Luddites were a rebellious movement of the early 19th century who protested violently against the mechanization of industries which had previously been done by hand.

It was the belief of Luddites that mechanization would reduce demand for labour and thus render them jobless and impoverished.

When viewed in the light of their previous circumstances - that very often a person performed the same task for their entire working life - it is easy to understand how the Luddites viewed the industrial revolution as tyrannical. Machines threatened their way of life – and they were acting out of self-preservation.

It's no wonder they rebelled - but in truth, they sadly had no experience of economics! As it happened, the increased productivity of the industrial revolution may have made certain jobs obsolete, but increased production required increases in other areas of workforce. Also, the new wealth led to an entire new set of industries and new opportunities.

The lesson of this tale is that progress will happen. If there is an opportunity, someone will jump on it. If you are unable to adapt, you are less likely to survive:

#### THE NEW WORLD

The world has sped up, incredibly. We are already living in a world of automated processes: A standing order from a banking web site to pay a monthly bill is a classic example. Laser guided machines, that plant seeds in the California Central Valley without the need of a human operator, are another. Email automation software that allows me to send messages to subscribers at timed intervals, is a third. An ever-increasing number of things surrounding us are automated, but after the initial buzz, we soon take them for granted as they become commonplace and fully integrated into our lives.

Automation also has its challenges. To take another email example, I can send a message I have composed, to a list of thousands of people with a few keystrokes. 30 years ago this would have involved a day's work or more - writing labels and stuffing envelopes, or making phone calls. The *disadvantage* to this comes from the fact that these tools are now available to everyone. People are now being bombarded with more promotional messages than ever before and are able to give less attention to any individual message. The email marketing curve is starting to become saturated.

However the fantastic news is that we are in an age of *rapidly accelerating automation* - meaning that there is enormous scope for the first-time automation of things that have never been automated before. You would be amazed at the sheer number and diversity of processes that can now potentially be automated - and it is increasing all the time. It's a wide open field.

Currently, the limits to "machine intelligence" delineate many of the limits of automation - but these barriers are rapidly being broken down. And in the arena of computer software, automation is right now moving into a dominating position.

So with these things in mind, it stands to reason that the ones who are ahead of the curve, who have the understanding of the principles of automation rather than just the existing tools that everyone else has, are going to be the ones who reap the greatest rewards.

Not only this – but automation presents the opportunity *actually to create more wealth in the world* – and it is because of this that I believe it will ultimately not only create wealthier people, but more of them. It is even possible that it will one day put an end to poverty – but that's a subject of enormous scope that's beyond this book.

#### THE WORK CURVE OF AUTOMATION

Here we return once again to one of our concepts from Chapter 1 - *The set-up*. Automating any given process typically requires some intense, time-consuming work and some obstacles to overcome during the *set-up*; and then there should be a *continued pay-off* later. During your set-up, someone else working manually might get a headstart - but once the automated process is running, it should soon overtake a human worker in terms of productivity. A machine can often work 24 hours a day. A human cannot. A machine can often move faster, lift heavier items, perform all manner of repetitive tasks more quickly. A computer can perform event triggered at timed intervals... and doesn't require a pay check!

For these reasons, it makes sense that we would want to set up automation for as many things as we possibly can. Anything you can do that ultimately *buys you time*, increases productivity or decreases overheads, is worth doing.

Ultimately, almost anything might be automated - but the real question becomes "Is it worth it?" A good way to answer this question is to consider the "Return On Investment" of a process. If for example it takes me a year to design a robot machine that switches on a light for me, this is not likely to be a good Return On Investment! I would do well to consider automation of other more profitable, more useful things.

Paradoxically however, the knowledge and intellectual property I may acquire through setting myself such a *challenge* as the above, may reap enormous benefits. I may be able to sell my invention, or may make tremendous discoveries in the process which will be applicable elsewhere. Great inventors often study several disciplines and perform many experiments. Training exercises, studies and experiments can be immensely valuable.

This type of thinking is a *justification* for such endeavours as the space programme – which although having high cost which detractors would say is wasteful, creates intense challenges, resulting in new technology which ultimately trickles down to other fields.

So a little time *invested* into the process of studying automation may end up paying off very well.

#### THE MINDSET OF THE AUTOMATOR

To recap; it stands to obvious reason that if you are going to make money while you sleep, without lifting a finger, things are going to have to be automated – one way or another.

So learn to ask the question "Can this process be automated?" to the world around you and to your moneymaking ideas. Develop this way of thinking, this inquisitiveness, as a habit.

Create an inventory of all the things you do that are tiresome. Or all the things you do not attempt because of the *sheer workload* that would be involved. All the things to which you find yourself thinking "Wouldn't it be great if...?" Get into the mindset of thinking like an inventor: If something cannot be done, ask yourself "How *could it* possibly be done?"

The automation of a complex procedure can be achieved most readily by breaking it down into "bite-sized pieces." Learn to look at tasks in their true constituent elements, and you could be on the way towards some fantastic new inventions.

Automation is most definitely an Art.

Also, because your clients and others will doubtless want life to be easier for themselves, personal discoveries made in the world of automation can often be shared profitably.

#### Summary

There are so many areas of life in which processes can be automated; and we have better tools than ever before to accomplish this. Grasp fully the underlying concepts and you can apply them with much greater finesse and accuracy to problem solving and asset creation. Ultimately it's all do-able; and right now it's there for the taking.

An interesting project would be to investigate the *existing methods* of making money while you sleep (as outlined in parts 4 and 5 of this book) – and see which aspects of them might be automated.

Of course, in order to do this, you will need not only the mind-set; but also the actual tools, and the knowledge of how to use them.

http://en.wikipedia.org/wiki/Automation

### **Chapter 37 - THE TOOLS OF AUTOMATION**

"We do not wish to penalise the machine for its inability to shine in beauty competitions, nor to penalise a man for losing in a race against an aeroplane." -- Alan Turing, Computing Machines And Intelligence (1950)

INTRO
MACHINES
SENSORS
TIMERS
COIN-OP
HUMAN STAFF
ROBOTICS

(COMPUTERS are covered in Ch.38)

#### **INTRO**

First let's take a look at the tools of automation – and then we'll investigate ways to use them and design new systems.

I anticipate that most readers will be looking to apply automation to computer processes – therefore I have given these their own Chapter (38). However, some of the other tools of automation might also present very interesting possibilities for profit.

#### **MACHINES**

A machine is essentially any device which harnesses energy of one form and transfers it to another. Machines are obviously so commonplace that there is little to say here: Most of the *great machines* have been invented – and unless you are already in the field of engineering, the chances are that you will use machines in much the same way that others do; when required.

An excellent wikipedia article lists various types of machine - <a href="http://en.wikipedia.org/wiki/Machine">http://en.wikipedia.org/wiki/Machine</a>

#### **SENSORS**

Sensors are important tools of automation – as they allow various conditions to be monitored and adjusted automatically. Simple examples include thermostats which enable heating and ventilation to be regulated, and infra-red beams which detect human presence. Sensors are an essential component of robotics.

Any tool that safely automates a task which previously needed to be done by hand, can save time. A friend of mine installed an attic extractor fan with a simple temperature sensor that switched on the fan on a hot day. Every day this saved her a few minutes and was one less thing to think about – and the more free time you have, the more profit generating systems you can set up.

http://en.wikipedia.org/wiki/Sensors

#### **TIMERS**

From the simplest, such as a sand timer or basic alarm clock, through machine timers such as heating time-switches, to the most complex computer-automated timers now available, timers are essential tools of automation. Timers enable many things to be done without you having to be there – and enable you to act with precision when you are there.

http://en.wikipedia.org/wiki/Timer

#### COIN-OP

Coin-Op is a *peachy* automated process - and one that's easily overlooked! Coin-operated machines can be a fantastic way to make money while you sleep.

I took my car to a car wash today: A coin-operated car wash. I looked around: Nobody there, except a couple of people washing their cars... There were coin-op machines for washing the cars, and separate ones for doing the inside vac. There were machines that changed banknotes for tokens (itself a very clever strategy to get people to return; as folks will often end up with more tokens than they use), and a couple of additional vending machines (well, seeing as they've got their money out, why not sell them a drink?).

The whole process was fully automated.

Unless there's a problem, the owner of the coin-op car wash most likely has to show up twice per day: Once to open up, and once to collect the cash and close up at the end of the day.

They could also easily train some other trusted person to do this work.

And the business could possibly run 24/7.

#### Nice business model!

There's obviously some initial work and investment in *setting up* a business like this, but once it is rolling there are minimal time commitments and low overheads.

If a business like this is paying for the overheads plus the mortgage on the property, it could be a business that is franchised or expanded into several locations. Another way to look at this - if you can create such a business that pays the mortgage, you have effectively created an workable *real estate system* which can be used to purchase property. This concept can then be replicated and scaled up in many locations - bringing a large number of properties under your control and a potential fortune on its way!

A couple of quick web searches reveal that the technology for this stuff is readily available – here are a couple of examples:

http://www.monarchcoin.com/washers-pressure.asp http://www.panhandlepowerwash.com/vacuums.htm

Here is a list of examples of existing coin-op businesses and machines:

Laundromat, vending machines, arcade games, pinball machines, gambling / slot machines (these may have legal restrictions - I have read that ownership regulations vary from state to state so please check!), telephones, pool tables, telescopes, electricity meters, machines that admit visitors through a turnstile in return for a coin, machines that "speak your weight", photocopiers, "kiddie rides", vehicle parking, juke boxes, candy dispensers, newspaper machines, ATM machines (that charge a fee).

I have even seen a <u>coin-op internet cafe system</u> – this looks like it could be a great business model and also features hardware which converts other computer systems into coin-op machines.

Coin-op is a *vertical* strategy that can be applied to existing businesses. Some fruitful lines of thought might be to think of places where people are waiting for something or already *doing something else*. A coin-up laundromat can <u>increase profits</u> by installing other coin-op machines and services. A bar capitalizes on the fact that people are hanging around, by providing coin-op games for them to play.

Perhaps you can think of some brand new types of coin-operated machines - or new ways to deploy them!

For example, I've been picturing ideas of combining coin-op with solar power to deliver various mobile or on-location services. Perhaps a good idea for a new model would be a coin-op mobile (i.e. satellite) internet service that could be delivered to events where there are large crowds – perhaps this could be built into a large vehicle so that (once any relevant licensing has been acquired / conditions of operation met) all you

have to do is pull up and switch on. I have not seen this done – although for all I know it might have been. You could make it solar powered and develop a brand associated with true mobile, eco-friendly, remote-location internet – or other coin-up services!

Other strategies to consider for coin-op providers: Provide a way for users to notify if the machine is out of order - provide a pad of "out of order" notices for example. This both informs you as to an out-of-order machine and prevents other customers from having a negative experience trying to use it!

If your coin-op machine provides service by-the-minute, I'm guessing it might be good to be generous with the amount of minutes users get for their money. Having the best rates will often mean users will go out of their way to use your establishment rather than that of a competitor - and they will also spread the word to friends and associates.

People love being able to get things in the middle of the night.

Another spin on coin-op is machines that require a credit card in order to work. One famous company has printing shops in which a credit card is required to use the computers on a per-minute basis and printing is billed automatically.

The latest coin-op machines are now featuring internet diagnostics - they can let an operator know statistics such as number of plays, certain faults - via modem.

As far as I can see there are no theoretical limits to automation - only logistical ones.

#### Amusing coin-op tales

I once heard an amusing tale told by a world champion snooker player who was known for playing at lightning speed. When asked about the reason for his fast play, he responded that he grew up learning to play snooker in coin-op snooker halls where you had to put coins into a timer to make the lights switch on. So he learned to play as fast as possible to get in the maximum amount of game play for his money!

Warren Buffett - now stated by Forbes to be the richest man in the world, started out in coin-op; with a startup company called the Wilson Coin Operated Machine Company. At age 15 he and a friend bought a used pinball machine, which they installed in a barber shop. He expanded the business to three pinball machines and ended high school with \$9000!

The Greek mathematician Hero is believed to have invented the first coin-operated machine in 215 BC - it was a machine in a temple for dispensing holy water!! Hero was certainly way ahead of his time - but I am not sure exactly how blasphemous this is. Anyway whatever you do, please be sure not to incur the wrath of God!

(Note – there's always a chance that Hero's idea may have been even more ancient; as the Greeks often had technologies based on even more ancient ideas such as those of the Egyptian high civilization. But whether or not Pharaoh Akhenaton was a *pinball wizard* is an investigation for another book...)

#### Further reading:

http://www.americancoinop.com/article.cfm?articleID=17627

#### **HUMAN STAFF**

An obvious – if crude - way to automate a process is to pay someone else to do it.

For many people, hiring staff is the best current model for automation of various parts of their businesses - but it's not very relevant to the real subject matter of this section, so I will pass over it for now. Besides, I think I'd sooner have a robot...

#### ROBOTICS

#### What happened to the robots?

For the past 50 years, numerous prophecies and fanfares have heralded the *age of robotics* – yet the robots have not arrived yet. They're late. I should have *a robot servant* by now doing all the nasty stuff while I kick back, sip Earl Grey and read the world's great literature online. This is the 21<sup>st</sup> century for goodness sake! What happened? What went wrong?

Robotics *is* developing steadily - and will at some point *take off* and grow exponentially. However, progress has been much slower than anticipated - and most robots seem "primitive" compared to the ones that science-fiction led us to believe would be commonplace by now.

Robot systems tend to consist of three basic sub-systems: Mechanical parts, sensors and computers. The technology required for the *mechanical* parts is here: Most of the obstacles facing robotics designers seem to boil down to challenges of artificial intelligence, computation and object recognition.

Even the simplest of *human* actions requiring factors such as language, decision making or vision - are *computationally* incredibly complex. To design a programming language is one thing - but to teach a computer syntax, so that it can answer questions intelligently and solve problems, is another thing altogether.

To give you a glimpse into the complexity of this field, take a look at this page and

follow some of the links: <a href="http://en.wikipedia.org/wiki/Machine\_learning">http://en.wikipedia.org/wiki/Machine\_learning</a>

Tasks such as *object recognition* - which to humans is incredibly simple - are an immense challenge for most current robot technologies. But it will not always be this way. Some incredible progress is being made. Sooner or later, the necessary breakthroughs are going to happen - and then robotics will literally explode.

#### The present

Robots are gradually taking over from human operators in a number of applications – especially <u>manufacturing</u> and now <u>agriculture</u>. This change has been slow, but it is gradually <u>gathering momentum</u>. Robots are now able to perform a number of tasks with greater accuracy, lower costs and higher productivity (no lunch breaks or sleep required!) than human operators.

My dream of having a robot that would do all my household chores, may not have arrived – but certain simple tasks, such as floor cleaning – can now be performed elegantly by robots such as those from **iRobot**.

Some amazing progress is being made – check out this incredible video of a **robot playing the violin**. And this one of a **robot solving the Rubik's cube**.

In the field of manufacturing, robot systems continue to make progress. Robots have now been developed with laser recognition systems which can pick up known objects such as tires, regardless of their position. Here is another article about current robot vision systems:

http://densorobotics.com/PR/17/AVGRobotics.pdf

#### The future

And so at present, despite the current crop of innovative wonders, robotics still remains to a great extent, a specialist, boutique field.

Gradual progress is happening – but from the point of view of the entrepreneur, it seems there is little to be done unless you intend on specializing in robot development, artificial intelligence or engineering. Unfortunately we are not yet at a point where, in most applications outside of serious industry, you can pick an off-the-shelf robot system that will save you serious time and make you money while you sleep.

Ultimately, it is absolutely feasible and quite likely that robotics will revolutionize the way work is done – and make manual labour – for humans – a thing of the past. But we are not there yet. However I am of the belief that when the necessary breakthroughs come, progress and great change will be rapid – and that those who are ahead of the curve are going to make stupefying piles of cash.

The first breakthroughs will in my view need to be those of object recognition and syntax – and then, the development of *closed loops systems* which will enable robots to perform complete processes without need for any human intervention.

If such robot systems can be solar-powered and self-maintaining... well let's just say I look forward to a guilt-free future of playing the piano, sipping earl grey and walking the dog in my perfectly robot-sculpted, pollution free ornamental gardens.....

It seems to me that many current independent robot designers are focused a little too heavily on either creating fighting robots, or on *anthropomorphosising* robots – attempting to give them human characteristics. This is a shame not only from the point of view that it is not the most constructive use of this technology – but from the point of view that trying to make robots with human demeanour is not the most efficient way to *get things done*.

Here is a prediction that I have been making for several years: Henry Ford became the richest man in the world by bringing the car, previously a luxury item, within reach of the masses. Bill Gates did the same with Windows and the PC. I predict that an imminent step on this road will be the household robot – and I'm absolutely convinced that whoever manages to create an affordable household robot that can straighten the house out after you have trashed the place, will become the next richest person in the world.

Robotics is going to be a *gigantic wave*, which is why I am studying it as avidly as I can. I'm ready with my surfboard. I'm not going to miss out on this one!

#### Further research:

http://www.ted.com/index.php/talks/view/id/165

http://www.sciencedaily.com/news/computers\_math/robotics/

http://www.roboticsonline.com/ http://en.wikipedia.org/wiki/Robotics http://en.wikipedia.org/wiki/Robotics http://en.wikipedia.org/wiki/AI-Jazari

http://news.bbc.co.uk/2/hi/in\_depth/sci\_tech/2001/artificial\_intelligence/1531432.

<u>stm</u>

## **Chapter 38 - COMPUTER AUTOMATION**

INTRO
SCRIPTS
OCR
BATCH PROCESSING
MACROS
AUTORESPONDERS
VOICE RECOGNITION
INDEXING
BOTS

#### THE LIMITS OF COMPUTER AUTOMATION, AND THE RABBITHOLE

#### **INTRO**

For most of those reading this guide, I anticipate that *computer automation* will be the most important field of automation to consider.

We hear tales of *automated moneymaking* online – but not much of the actual information behind these systems is public knowledge. Much of the progress being made seems to be by clever individuals who have created scripts or *macros* which automate various aspects of e-commerce; and unless they are selling you a tool designed to help automate some aspect of your internet marketing campaign, the chances are they are keeping quiet.

The fascinating thing about this field is that it is still very new – and very *underground* – but there are tools out there which, if used well, could yield some fantastic results.

And there is huge potential for the creation of new tools and macros for computer automation.

We'll take a look at some of the methods used to automate computers (without getting too technical) and then in the next chapter we'll start looking at possible ways to apply automation.

#### **SCRIPTS**

A script is a piece of computer code which is used to control and automate a software application. A GUI (Graphic User Interface) script is one which interacts with the

computer at the *user interface* level – in other words, it automates commands such as those which a user might enter into a computer. Some *scripting* requires in-depth programming knowledge – however a type of script that is generally simple to understand and use is a *macro*.

More on scripts – and macros - later.

http://en.wikipedia.org/wiki/Scripting\_language

#### OCR

OCR – optical character recognition – is one area of object recognition which has been pretty much mastered. I had no idea that OCR has been in use for such a long time. The Wikipedia article on OCR is fascinating: <a href="http://en.wikipedia.org/wiki/Optical character recognition">http://en.wikipedia.org/wiki/Optical character recognition</a>

One of the most interesting uses of optical character recognition currently *happening*, is the **Google Book Search Library Project**. Google is working with major libraries to scan books – and have amassed a large collection which can be searched online. Where books are in the public domain (i.e old, out of copyright books), the entire text is often available. This incredible resource has improved historical research beyond all recognition.

#### **BATCH PROCESSING**

Batch processing is the setting up of a computer to perform the same function on several files. In most instances, batch processing will be specific to a particular software application – and is often found in audio or graphics softwares – such as Photoshop, Fireworks or Peak.

If you work with large numbers of files, batch processing can save incredible amounts of time – and can even be used for experimental file manipulation on a scale which would not otherwise have been attempted. It's *really* satisfying to watch a batch processor crunch through what would have been hours of tedious work, without having to do a thing!

#### **MACROS**

A *macro* is a way to automate a computer task (i.e. one that would normally be performed manually by the operator) by stringing together a sequence of commands and assigning them to one command.

Macros are usually created and executed by *macro softwares* – for example <u>Macro Express</u> (Windows) or <u>QuicKeys</u> (OSX). However, certain common softwares, such

as <u>Microsoft Excel</u>, allow for the creation and use of macros whose sole purpose is to enhance functionality of that specific software.

A very simple example of a macro is a *keystroke macro* – which when programmed would allow you to type complete words or phrases with just one keystroke. Other simple macros can imitate mouse clicks in specific screen locations and execution of other commands such *as keyboard shortcuts* in software applications.

At first glance, this might not seem revolutionary – but when you realize that simple macros can be chained together to automate entire processes, things start to get really interesting.

These features have been expanded further in the case of the more evolved macro softwares – and also include *looped processes*, some elements of *logic* and *decision-making* based on certain criteria.

Macro softwares are still developing, and it is often a real challenge to get them to perform complex operations in a robust manner. However they are getting better all the time and are gradually becoming powerful tools for timesaving and making money while you sleep.

I have been using *QuicKeys* for some time and it's really an incredibly useful tool which saves me huge amounts of time and effort in many areas.

It enables the creation of complex macros which include automation of mouse clicks, typing of commands, window resizing, commands in specific softwares, decisions, and certain logical functions. One of the good things about QuicKeys is that it allows you to cut 'n' paste macros in order to create larger, more complex operations. This also assists with the learning curve – enabling you to start simple and quickly build up in complexity as time goes on.

This illustrates one of the most important points of automated processes – that most complex automated procedures are in fact made up of many smaller *actions*. By beginning with simple automations, you can gradually chain more processes together until you eventually arrive at *a complete or closed loop system* – which can run itself. (More on closed loop systems later).

One of the first things to automate is the typing of words and phrases which you use all the time. Assigning the typing of your name, email address or URL to a single keystroke is really easy and will continue to pay you back over time.

From here, it is just another couple of steps to assigning a macro to log into accounts and check email. I now have a macro that opens web browser tabs and signs into several accounts simultaneously, all with one keystroke.

Another great thing about software such as QuicKeys is that it also allows for the use of specific input devices such as **X-Keys** – which enable dedicated keys or buttons to be set up for specific functions. This can be incredibly useful in many fields – from creating *keyboard shortcuts* for complex softwares (i.e. for commonly-typed tags used in web design, video or audio editing, retail or stock management applications) through to automation of internet processes.

#### How far can you go with macros?

I am still working on using QuicKeys to design complete systems which make me money on autopilot – but have made great progress.

I have designed macros which automate parts of the process of pay-per-click – and am working on a macro that will automate the entire process of generating long lists of keywords. There are many ways in which this could be done – but essentially these involve logging into web pages which feature keyword generators, harvesting the keywords and *cleaning up the lists* using one of the free keyword list cleaner tools out there.

The next logical step in this chain would be to create a macro which enters the keywords into a PPC campaign; tests them for best performance and keeps the winners. I haven't got this far yet but it is technically feasible.

I believe it is possible to create macros which automate various parts of the *split testing* process. The great challenge here is to harvest data and set up logic-based systems which interpret the information correctly in order to make changes to campaigns in real time.

This is some challenging work – but as you may be able to see, if it is implemented well it may possibly lead to some phenomenal automated profit.

Continual refinement of internet campaigns based on testing of variables and the automatic selection and implementation of the winning variable, could be seen as one of the *holy grails* of automated e-commerce.

Essentially, the bulk of the work involved in this type of macro automation seems to entail *deciding what you want to achieve* and then "hammering away at it" until you figure out how to make the macro software do it – through a mixture of learning the software and sheer lateral thinking. This is the method I have used to create most of my best macros. Of course you will need to obtain the software first and a knowledge of its functions.

One thing to bear in mind, is that not all of the macro softwares out there will perform all the functions that you need to perform. However, you can sometimes find a workaround by using more than one macro or script software – and using one to

trigger the other.

Some other suggestions: You could create a simple macro which helps speed up research – for example by entering a word or phrase into a search engine and opening the top 10 results in separate tabs.

Just for kicks I am also working on a fun macro which responds to a keyword being entered by going to Google image search, downloading the top 20 image results for that term, saving them in a folder and assigning that folder to be a screen saver.

From here it wouldn't be too complex to add a function whereby any image that was not wanted, could be deleted with a single keystroke.

Macros might theoretically also be used for web *scraping* and *parsing* – although scraping is more typically performed by server-side software *bots*. (Note – *scraping* is against the terms of use of some web sites and may have legal consequences. Source – <u>wikipedia</u>.)

The advantage of macro softwares is that they are easy to learn – unlike complicated programming languages – and yet still allow you to automate some fairly complex tasks. However, most of the current macro softwares have limitations – and at a certain point of complexity, it becomes appropriate to start learning a programming language.

A macro software that I have just discovered but have not investigated yet – that looks pretty serious – is <u>Macro Scheduler</u>. (Windows) Of particular interest are the case studies featured around 2/3 of the way down the page in the link – these provide actual reports of companies using Macros to save serious money!

Another example of an automation software is *Automator* – this comes with OSX.

http://docs.info.apple.com/article.html?artnum=304759

http://developer.apple.com/macosx/automator.html

http://www.apple.com/downloads/macosx/automator/

http://www.oreillynet.com/pub/a/mac/2005/09/06/what-is-automator.html

Getting more technical, the next step in this regard for OSX users might be the admittedly quirky and complex *Applescript -* <a href="http://www.apple.com/applescript/">http://www.apple.com/applescript/</a> - before moving on to a programming language such as *Python*.

#### Further reading:

http://en.wikipedia.org/wiki/Macro\_%28computer\_science%29

#### **AUTORESPONDERS**

These have already been covered in Chapter 31 (p. 208)

#### **VOICE RECOGNITION**

Well, my experiments in voice recognition didn't quite go as planned. I had grand – possibly even *grandiose* – plans of using voice recognition software in conjunction with macro software in order to perform all kinds of complex operations.

This should theoretically be possible with existing software – however, I have not come across anyone else using this sort of thing in conjunction with e-commerce.

The voice recognition software I purchased failed to install, and I got too busy to deal with it. I will cover this further either in a *free guide* or a future edition of this book.

#### **INDEXING**

This is another field that is already huge, but is going to become even more *key* in the coming years.

Indexing is a process by which a large amount of data is stored in an abbreviated form, which enables *fast lookup* of information. The creation of the index is typically performed over time, and may be time-consuming, but enables almost instantaneous data retrieval and complex searching once the index is complete.

An example of indexing that we are all familiar with is that of the search engine, which indexes text from a web page and stores it in a form which can be accessed without having to scan web pages whenever a search is performed. Indexing is the technology that has enabled the entire world wide web to be at our fingertips.

http://en.wikipedia.org/wiki/Index %28search\_engine%29

#### **Tagging**

Tags are content markers. When most people think of tagging, they think of the tag clouds you might see on <a href="https://www.wordpress.com">www.wordpress.com</a> or some other Web 2.0 site. In these instances, users are encouraged to "tag" their content with keywords that enable other users to find the content easily.

However, the *concept* of tagging might also be applied to other fields – such as robotic object recognition. For example, one area in which progress has been incredibly slow has been the field of *object recognition*. For a robot to process the amount of data required to recognize an object requires an insane amount of processing power.

However, imagine a system of *tagging* where each object was given a sticker, an RFID chip or some other tag that was *visible* to the robot. It would then be a much simpler task for the robot to enter the catalog number (via wireless connection) of the object it had encountered and access a database with full information on the object type. It would then know exactly what to do.

A bar code is one simple form of tag that allows for object identification.

Another interesting project that uses tagging is the **Music Genome Project**.

#### Semantic indexing

The basic concept behind semantic indexing is that it is a way to find commonalities between data streams other than the most basic one, which is that they contain identical text. The field of semantics is relatively new but has incredible potential in all kinds of fields from research through marketing to security.

Semantic indexing has wonderful possibilities in the fields of "finding things you like." A system can build up, gradually, a profile of your interests, tastes and habits. Some companies – such as amazon.com do this to a certain extent - but this is only the beginning.

#### **BOTS**

Bots are internet software applications that perform automated procedures. The most ubiquitous examples are probably the "spiders" used by search engines to "crawl" web pages automatically and perform indexing functions.

While some bots are entirely benign, others are controversial - or even destructive. A classic example of controversial bots are the "Friend Bots" which enabled users of sites with profiles to add people as friends automatically. These rapidly became very popular as promotional tools as they enabled users to reach and interact with impossibly large numbers of other users – but due to their spammy nature, were quickly shut down and are now typically a violation of ToS.

Many sites have ToS regulations which prevent the use of bots – and it's completely understandable, in that they can be powerful tools for *gaming the system* and in some instances can be devaluing to web property. Unfortunately there are also even more malicious bots which have been used for *click fraud*, creating multiple fake profiles, and other devious or even criminal purposes.

Wikipedia's **article** on Bots is great.

#### THE LIMITS OF COMPUTER AUTOMATION, AND THE RABBITHOLE

Well, I've covered the "simple" stuff regarding computer automation. From here on in, it starts to get a little *fierce*. Yes, the rabbithole goes way deep. In truth, I'm in a little over my head when it comes to such complex computer automation: Especially the server-side stuff. There just aren't enough hours in the day to learn everything. Maybe I'll write this up some more in a future edition of this book – when I've had a chance to do some more study. You can be sure though that at some point I am going to give this my fullest attention: Because there's simply too much potential here to ignore.

In theory, the only limits to computer automation would appear to be those of our programming ability, our ability to create artificial intelligence algorithms, and our ability to invent useful applications for such processes.

As I have hinted at before, some of those *black hat* types are seriously *out there* in terms of technical advancement – and that there really are incredible possibilities for automation of income using computers and internet systems.

Some people are attempting to exploit these methods in somewhat cunning – if not downright devious – ways; but that's not the whole story. There are all kinds of ways to implement computer automation which don't harm anyone, which don't violate Terms of Service and which stay the right side of the law. It's not just for spammers!

Please don't attempt to use these technologies in ways which disregard the law or the welfare of others.

Of particular interest from the point of view of making money while you sleep are systems which will enable intelligent split testing and automated optimization of web sites, advertising campaigns and the like. It is not too much of a stretch to envisage systems which – for example – try out different variables such as keywords, headlines, even rotation of different affiliate products – and then implement the best performing factors, completely on auto-pilot.

Automated *statistical analysis* is within the reach of current systems – and if this is programmed correctly together with decisions and actions based on specific conditions, this could be a platform for fully automated profit-generating systems. An example of this is the Doubling Stocks stock-trading bot – linked below.

Ultimately, with any kind of automation, the best tools are going to be the ones you create yourself.

At present, to understand human grammar and syntax fully is beyond the reach of computers and artificial intelligence. However, in the future, computers may be able to generate content which is to all intents and purposes indistinguishable from human-generated content.

And then a whole new can of worms will open. More on this in Chapter #41.

Here is a short list of further reading I have compiled for those who are interested in *taking the red pill*. There's gold buried somewhere in these hills – of this old uncle Alex is sure. Good luck down there!

http://www.tellinya.com/

http://en.wikipedia.org/wiki/Object\_recognition http://en.wikipedia.org/wiki/Machine\_learning

http://doublingstocks.com

http://en.wikipedia.org/wiki/Ray Kurzweil

http://en.wikipedia.org/wiki/Parsinghttp://en.wikipedia.org/wiki/Crontab

http://www.tellinya.com/read/2008/05/21/355.html

# Chapter 39 - PUTTING IT ALL TOGETHER - SOME POSSIBLE APPLICATIONS

INTRO
UNCHARTED WATERS
CLOSED LOOP OR COMPLETE SYSTEMS
AUTOMATED RESEARCH
VARIANT SPLIT TESTING
SELF-OPTIMIZING SYSTEMS, EVOLUTION AND WILD CARD FACTORS IN A.I.
LATERAL THINKING

#### INTRO

There are those who will want to develop new technology and pioneering ideas – and there are those who would rather just find some existing tools to help save some time and make some money on autopilot while they go and play with the kids.

For those who want something they can start using right away, there are several existing tools, ideas and techniques of automation that might be applied in order to save time and earn money – and we will cover these in the first part of Chapter 40.

For those who are interested in creating their own automated processes, this chapter presents a few more concepts which will hopefully help with formation of the big picture.

#### **UNCHARTED WATERS**

Automation is such a boutique field right now... it's a bit like when the first explorers crossed the atlantic or when the first astronauts went into space... they were winging it big time - making solutions out of whatever came to hand. By throwing themselves in at the deep end, they found themselves in completely uncharted waters...

... and these are the places where the greatest gains are to be had.

The fact is, you typically need some sort of a breakthrough to have runaway success. You need to be out there doing something that no-one else is doing, that is somehow beyond. More than with other fields, in automation new discoveries tend to become saturated quickly when they go public. Of course, you can achieve modest success by emulating the results of others (and of course it is most excellent to study the

methods of the most successful and come to your own conclusions about it) but ultimately, the *natural philosophers* – the ones who are prepared to get their hands dirty - are the ones who typically make the greatest discoveries.

So I'd like to encourage you to go in deep. It needn't be daunting: The best way to look at this work is to break it down into smaller pieces. Here are some ideas for ways to put those pieces together.

As already mentioned – a great place to start investigations would be to consider known methods of making money while you sleep – and investigate the potential of parts of these processes to be fully automated.

*Time is money.* Automation can save you time, and it can make you money. So it's good to consider automation processes that either have time or financial benefits – or that assist with the development of other assets.

#### **CLOSED LOOP OR COMPLETE SYSTEMS**

I have hinted at the need to "chain together" simple automated processes in order to create more complex systems that can run on auto-pilot.

One of the keys to *putting it all together* is that of envisaging and creating *closed loop systems*. A closed loop system typically handles several different basic processes, and integrates them so that the entire process runs automatically and performs a complex function.

Closed-loop systems are of particular interest from the point of view of increased wealth. These are systems where every aspect of a process is automated and no further input is required. Such a system might be a machine, a computer process or a business model.

Such systems need to work under varied conditions – and will also need to be *self-diagnosing* or able to shut down in case of failure or error.

Many existing systems or machines that we take for granted are in fact complex closed loop systems comprised of many individual processes – yet we tend to think of them as one machine because when it all fits together and works in unity, it fulfills one overall purpose. For example – the car. A car is actually comprised of a large number of machines. The gas pedal is one machine. The braking system another. And so on. We are so used to the overall function that it performs that we think of it as one thing.

Similarly, it is advisable to think of a *system that makes you money while you sleep* in this way. At the beginning, it is often difficult to envisage such complete systems –

because they are often a far cry from the level of development that is commonly visible. But that doesn't mean that they are not possible. It's just that as they are outside of our normal experience, we find them difficult to imagine.

Here's a great example of a tried-and-tested *closed loop system*: An "automated" email marketing campaign designed to sell a digitally downloadable product. Broken down into its constituent parts (as they currently exist), this might consist of:

- A) Pay-Per-Click advertising campaign drives traffic to squeeze page.
- B) Squeeze page adds email addresses to autoresponder.
- C ) Autoresponder sequence promotes product.
- D) Product is purchased and delivered by instant download.
- E) Money is transferred to bank account.
- E) Pay-Per-Click campaign draws funds as required from bank account.

This is an example of a *basic internet money machine* that is do-able, and is working right now for some people.

However - there are still *many* parts of the process that are not automated: In particular those of the *set up*. For example, these might include:

- E) Research and accumulation of knowledge needed to create product.
- F) Actual creation of product.
- G ) Uploading of product to web site.
- H ) Creation of sales campaign and marketing materials.
- I ) Creation and testing of PPC campaign
- J) Split testing of advertising
- K) Handling of customer queries / complaints / issues.
- L ) Advertising by other methods / market research

Now at first glance, you might think that most of the steps E-L cannot possibly be automated. In truth, there are limitations at present: However this is where great gains are possible – and great innovation will be required.

In some senses, the design of the overall *complex machine* and the act of breaking it into actual steps is some of the most difficult work:

Once it can be imagined, it is far closer to actually being created.

The more parts of a system we can turn into a *closed loop*, the more power and potential for profitability it will have.

#### **AUTOMATED RESEARCH**

We don't think of research being automated – but we have already automated one of the major parts of it – through search engines. A search engine performs a complex automated function. It requires a lot of effort and time to set up – but as we can see in Google's case (an example of a company that was a true technical pioneer) there is enormous potential in automation technology.

When you think of how much effort a search engine can save you – it's pretty remarkable. Not only are you able to find thousands of pages related to your term within a fraction of a second, but these pages are listed according to authority – with good results.

There are now even *compiler* search engines which analyze data across multiple engines and present it side by side.

A current hurdle here is that we still have to read through volumes of information in order to sift and find the best.

And of course, if we are creating a digital product, we still have to create original content. However, it's faster than ever before to research and compile information.

It wouldn't be too complex to create a macro which takes a search term you have entered, and runs it through numerous research sources – search engines, Google Books, Wikipedia and many others – and opens the results in adjacent tabs.

#### VARIANT SPLIT TESTING

Another A.I. (Artificial Intelligence) concept which could possibly be implemented with current technology, which I have seen several examples of in the world of scientific research, but have seldom seen applied to internet marketing, is that of what I will call variant split testing. Instead of a simple split test — where you set up two or more variations of an ad or web page — an automated split test might implement or even create its own variants, test them on auto-pilot and keep the ones that perform the best. Such a system would require some statistical algorithms; also, in order for it to function optimally, different parts of the test might themselves be monitored, and automatically adjusted to optimum levels.

For example, let's say you are testing keywords in an ad campaign. You develop and create a macro software or script that runs different keywords and measures their conversion; homing in on the ones that perform the best. There are all sorts of other factors which might be adjusted in addition to the "keyword" variable which might affect campaign performance.

SELF-OPTIMIZING SYSTEMS, EVOLUTION AND WILD CARD FACTORS IN A.I.

An even more advanced version of this might introduce "wild card" factors. These are "random" variables which get thrown in and their results noted. The reason for this, is that you never know with certainty what is going to work – and if everything is static, nothing changes. Such variables introduce an element of random mutation to the campaign and observe results. This mutation could be seen as a form of evolution – and even the amount of mutation itself could be varied; in order to examine how much random mutation leads to optimal performance and to the most rapid discovery and implementation of optimum performance characteristics.

This could be seen as a computerized automation system which tries out new "strategies" and noting what works.

All this might seem highly complex but really, I don't think it's as difficult as it sounds. To me, it's something of a surprise that this technology has not already *taken over* from human testing – as it is fairly easy to implement. However, it is also true that much of the technology for this sort of thing is still under development – and best seen in computer science labs. "Home" versions of macro softwares and the like are sometimes quite "clunky" and have (surprisingly) seen very little attention or serious visible investment from major players.

I'm pretty sure though that once someone *cracks the code*, things will change with incredible rapidity.

#### LATERAL THINKING

What's needed, is to develop technical skills in the necessary areas – and *lateral thinking*.

Lateral thinking is part of The Mindset Of The Automator.

Here's an example of the use of lateral thinking to come up with new ideas for possible ways to profit.

I read an article recently that stated that in the '90's, someone made a bunch of cash by registering the domain names of many major American cities. So there's money in the domain names of cities is there?

How about this: Develop a script that parses a list of cities of the world, (listed in order of population size), and then enters the results into a tool which checks the availability of these names.

You could end up with a list of the biggest towns in the world whose .com name has not been registered.

How about other types of word list? You could create a script to enter all the words from a dictionary into a tool checking the availability of the names, and maybe end up with some keyword domains.

Another spin on this idea would be to use a script in conjunction with a keyword tool to find the most searched keywords which are not registered as domain names.

And as Henry Ford would have said, if it can't be done - do it anyway!

This is the absolute tip of the iceberg. Two further essential points: 1) you don't need to *game the system* with these techniques. You can find perfectly valid, useful, beneficial ways to use these techniques – and I want you to do so. The key is to use the power that is already there, but untapped, in the indexing and database tools that have already harvested massive amounts of data – and build scripts to allow these databases to interact with other items.

Many services will not allow you to use scripts to automate internet search queries. This is due to the server load it can create. There may be all kinds of restrictions on the use of "bots" etc – so be sure before you do it.

# Chapter 40 - DESIGNING YOUR NEW AUTOMATED LIFE: EXERCISES AND EXAMPLES

"Nothing is particularly hard if you divide it into small jobs." -- Henry Ford

#### **INTRO**

PHASE 1: Simple and commonly-known automation procedures
PHASE 2: A little more complex
PHASE 3: Somewhat Advanced
PHASE 4: Advanced
PHASE 5: Highly advanced / theoretical ideas

#### **INTRO**

Here is a list of examples and ideas for steps you might take to free up your time and possibly to earn money while you sleep.

These will hopefully simplify your life, teach you about automation, and show you the value of this process. Some of them you might already be using.

See this section as a pyramid... starting at the base, the skills you learn in one phase will help you with the next.

You will see the crazy difference between the simple procedures and the highly advanced ones. Yet in many cases, the complex procedures are comprised of many subroutines or small steps.

Hopefully by the end, this chapter will give you even more of an idea of "how deep the rabbit hole goes".... and be aware, as mentioned before, that certain applications such as bot implementation may have ToS or legal implications – be sure to know about these issues and to act accordingly – also remember that my ideas are just ideas – not recommendations that you act upon them.

#### PHASE 1: Simple and commonly-known automation procedures

**1) Spam filter.** These are built into many email softwares and webmail services. A good example is **SpamAssassin** - which runs completely in the background *server-side* on many web servers. Very often people are unaware that such spam filters are

even running! A little adjustment of their settings may be required for best performance...:)

- **2) Simple "out-of-the-office" autoresponder or email forwarding.** These also can be set up from most email softwares. For example, from OSX's *Mail*, go to Preferences > Rules. From here you can set up an automated procedure to handle, sort, and auto-respond to messages that fulfill criteria of your designation.
- **3) Auto Bill-Pay.** Typically this is available as an option from most online banking or utility services and requires a simple setup including secure login and entry of valid bank account or Paypal details for automated transfer of funds.
- **4) Auto form filling.** This can often be performed either by software such as **Form Auto Fill** or by browser add-ons for example **Firefox Autofill Forms**.
- **5) Video or recording timer.** Needs no explanation. Most people are familiar with setting the video recorder to capture television programs when they are away.
- **6) Using programmable machines.** Such as any one of the large number of devices which are part of our daily world! From voicemail through to heating timers.

#### PHASE 2: A little more complex

- **1) Automated computer backups.** An example of a software that allows you to perform this is <u>Carbon Copy Cloner</u> (OSX) it's free! Backups are able to be timed using the Carbon Copy Cloner > Scheduled Tasks menu.
- **2) Batch processing** using perhaps Automator, Peak, Photoshop or other softwares. Batch processing, as already mentioned, could either be used for simple file management tasks such as renaming large numbers of files or could even be used for automated experimental content manipulation on a large scale.
- **3) Programming and using macros.** This can typically be done to enhance the functionality of various softwares and to save time and keystrokes or to interact with web sites / internet applications and perform repetitive tasks.
- **4) Accounts and spreadsheet software** in particular the setup and use of features which perform mathematical functions when relevant data fields are filled.
- **5)** Use of an email software such as Aweber to set up an autoresponder sequence. Very often this can be integrated into an overall automated e-commerce system as discussed in Chapter 39.
- 6) Using computer schedulers / macros to perform certain functions at certain

times. A classic simple example is this: You walk into your office (at home, of course) at 9am. By the time you are there, your computer has switched itself on, loaded your email and RSS feeds and has them ready for you when you arrive. For those wishing to experiment further with this, other forms of *sensors* could be deployed – anything from voice recognition through to infra-red presence detection, which could trigger computer actions through macros.

- **7) Home sensor systems and "smart housing"** intelligent lighting systems, climate control etc.
- **8) Use of voice recognition software for computer control.** There are softwares out there that allow for this **Viavoice** is a good example.

#### **PHASE 3: Somewhat Advanced**

- 1) Building web sites that make money on auto pilot. A simple model for this is to create a content-rich web site which attracts search traffic and which contains relevant advertising. Such advertising systems i.e. certain affiliate networks often make automated payments i.e. through Paypal. Very often such sites require little maintenance after the initial setup and if the site becomes popular, you can expect a steady trickle of income. The trick as already discussed is to achieve *niche domination* through authoritative content, do some link development at the outset. I have created several such web sites and they are earning me money while I sleep right now. It takes a little while to *get the formula right*. And one thing I would advise is to pick topics which you want to develop your expertise in and create sites about them. The good thing about these sites is that, if the content is still relevant, they can be updated or developed at a future date.
- 2) Designing complex macro systems. Example one that checks all your online banking or credit accounts, notifies you of certain types of transaction or if balances cross a certain threshold. These kinds of systems can also be developed to observe statistics such as stock prices etc. and notify when certain conditions are met or possibly even perform certain functions automatically such as buying or selling. As an even more advanced stage, such systems could monitor their own performance and self-optimize. Here's a great <a href="video demo">video demo</a> of the design of a macro using Macro Scheduler.
- **3) Further macro applications.** Additionally, if macros are used in conjunction with programmable input devices, all manner of shortcuts can be created: Here are some great **examples**. Essentially, macros can be seen as *interfaces* between human commands and computer applications bridging the gap between specific instructions and complex procedures.
- 4) Automated inventory control. You might find this in retail applications but in

truth I haven't really investigated this area. Automated re-ordering of stocks and supplies when they become low, item performance analysis, data analysis and simple forecasting.

- 5) Basic robotic design.
- **6) Design / development of closed-loop systems.** These might integrate machine and computer elements.

#### PHASE 4: Advanced

- 1) Coding server side scripts for example using PHP.
- **2) Automation software development.** The development of scripts or softwares which automate certain procedures.
- 3) Fully fledged robotic design for industrial applications.
- 4) Artificial intelligence design.
- 5) Automated research for example market research and testing.
- **6)** New developments of index-based or semantically-based content gathering or web searching. Based on your existing likes; content can be displayed which you may also like or find relevant. Some online services already feature variations on this theme such as "those who bought x also bought y" but I feel that this field is overall in its infancy and that there is huge potential here.
- 7) Data harvesting. Data harvesting and analysis is an immense topic and all kinds of potential uses. A common form of data harvesting is Web Scraping

  and although sometimes used for black hat purposes such as automated content generation, it needn't be.
  For instance, you might use it to automate tracking of
- 7) Designing data **parsing** scripts... (warning, the article linked is highly complex!)

performance of your own web campaigns with a view to optimizing such systems.

- 9) Self-optimizing systems. As mentioned for example in Phase 3 No. 2 these will involve some form of testing, statistical analysis and adjustment of variables involved in a campaign.
- 10) Development of automated SEO tools. Some interesting SEO tools are currently appearing. A few examples are **Comment Kahuna**, SEOchat's **keyword optimizer**, and those of **SEObook**. There is great potential for development of new tools based on extending the functionality of existing tools, and developing closed loop automated

#### PHASE 5: Highly advanced / theoretical ideas

( Note – I am not sure how many of these have been done, or indeed how feasible they are. In this section I'm just presenting a few off-the-wall ideas. I think however that some of these could potentially be multi-million dollar ideas – and that breakthroughs in these fields could lead to huge fortunes being made. In theory I think that most of the ideas presented here are possible.)

1) Fully automated E-commerce. From a theoretical point of view, imagine the following; sales pages of items could be automatically generated based on manufacturer data (especially if this was pre-formatted to set standards in order to enable such data use – another loop closed). Pricing could be set in comparison with current market prices derived from data harvesting (these prices could be optimized based on ongoing performance analysis).

When sales are made, payments can be handled automatically and shipping notifications generated.

A majority of customer questions can be handled by good FAQ and possibly by "help bots" although this is one area of challenge.

Another example might be the automated deployment and population of flash e-commerce stores.

How far could you take the automation of commerce? *Closing the loop* in such fields could even provide automated manufacturing tools with information required to know exactly how many products to manufacture. As stated before – it really is ultimately all possible; and automation of industries is ever increasing. The only limits are those of our imagination, design skills, time and energy. *The main thing is to figure out what you want to do.* 

- **2) Automated content creation.** Currently beyond our scope due to limitations in machine language recognition, one can imagine a possible future application which generates an "essay" based on analyzing and paraphrasing content gathered through searching. Much work has already been done (i.e. by search engines) in developing methods to analyze the "relevance" of web pages.
- **3) Automated market research** for products which are popular and have high profit margin.
- **4) Automated affiliate marketing.** Here, experiments with Pay-Per-Click could drive targeted traffic of certain demographics to pages automatically populated with article content and relevant advertising. I wonder how long it will be before someone finds ways to close the loop and fully automate affiliate marketing in a way that is self-

testing and auto-generating of new campaigns.

- **5) Automated transportation**. In some cases this is a lot simpler than it sounds, and already here: The technology of driverless trains and auto-pilot flight systems has been in operation for many years. However, in areas such as road transportation, it is likely some way off. The main factor is safety and in ground transportation this will presumably be accomplished with the use of laser, RF or infra-red guidance / distance measurement systems, GPS and wireless data transfer.
- 6) Robot object recognition systems and their applications.
- **7) Robot litter picking / removal of waste.** Robots pick up items which should not be there. This could be based somewhat on a map of what is supposed to be there in certain instances, or on object recognition.
- **8) Robot recycling.** This might be accomplished via tagging of all manufactured objects with a "robo id". This contains info such as manufacturer, construction materials, special handling requirements, and could enable automated sorting and retrieval from waste. This could in theory lead to a much higher percentage of waste recycled, remove the need for human sorting and possibly lead to the ability to return discarded items to the manufacturer for refitting, recycling or repair.
- 9) Semantic indexing, user profiling and content manipulation based on web data.
- **10) Automated stock market analysis, prediction and trading.** This could be fun, and could get crazy. There are currently data modeling bots on the market which make predictions and apparently some of these are doing quite well.
- **11) Automated construction.** This is already happening in manufacturing to a certain extent. but this could be greatly increased to the point where entire processes are handled by machines. Another area where robots may be very useful is in that of handling hazardous materials.
- **12) Automation of manual human tasks.** As already mentioned this might include the "housework droid". When robots are developed than can recognize commands, recognize objects and perform actions with a sufficient degree of complexity that they can take over much of the manual labour from humans, the world will change enormously.
- **13)** Nanotechnology. Here is a <u>list</u> of current nanotechnology products. It has been speculated famously by <u>K. Eric Drexler</u> that nanotechnology might ultimately be used to create self-assembling robots.

# Chapter 41 - A GLIMPSE INTO THE FUTURE

INTRO
CLOSING THE LOOP OF GLOBAL LABOUR
TEACHING YOUR COMPUTER TO DANCE
EXPONENTIAL AUTOMATION
AUTOMATION FLASH POINT
REPLICANTS ARE ALREADY HERE
SEMANTIC INDEXING AND THE NEW MAPPING OF THE WORLD
THE SHIFT IN VALUE OF HUMAN ENDEAVOUR
TECHNOLOGY WILL SOLVE THE PROBLEMS THAT TECHNOLOGY HAS
CREATED
INSANE PROFITS
LATERAL THINKING

#### **INTRO**

Ok this is where the fun gets a little crazy! This section is to some extent a *flight of fancy* – some of these ideas are pure imagination; others are based on science fiction concepts or *logical extensions* of where we are now. Chapter 41 is deliberately "out there" - and looks at ways in which automated processes might change our lives dramatically in the future. Maybe it will even give you a brainwave for making money while you sleep! Enjoy...

#### CLOSING THE LOOP OF GLOBAL LABOUR

Imagine a world where all manual labour is performed by robots. Robots also make new robots and repair ones that have faults. Aspects of this scenario are not too far from reality: **Denso** uses robots to build other robots – as well as to assemble many other things.

Robot systems may one day be able to handle all manufacturing, resource management and logistics such as transportation. This might be accomplished on a large scale by robots with wireless internet data transfer, operated from central command centers. Machines working on location might be able to access information from centralized databases and thus be freed from the need for enormous on-location data storage.

Hopefully at such a point, essential systems such as transportation and machinery can be *moved underground*, and the Earth's surface restored to a more natural and ornamental state.

The greatest obstacles to such a scenario are a) the limits of machine intelligence and b) the gap between resources required by a system and the resources it creates.

This latter requires a little explanation; currently, a machine requires fuel, raw materials for its construction, and a great deal of *human input* in order to keep running for a long period of time. The fuel needs to be obtained by processes that are not fully automated – and so the whole endeavour runs inefficiently.

Imagine a *closed loop system* whereby a set of robots or machines was able to generate its own power, maintain the fleet, increase its workforce by building more machines, and still have energy left over to perform tasks. Such a system would then be generating resources rather than consuming them. This is difficult for many to picture, as they have not yet conceptualized the entire picture of global resources and still envisage resource systems in terms of obtain > consume > discard. However, it is ultimately possible to create systems which actually generate more resources than they consume... it is just something that humans have barely evolved enough to understand as a principle, let alone do. One day however, it will happen and I do in fact think it is going to be what saves us. Look at it this way: The Sun produces more power than we can ever use. The Earth contains more raw materials than we need. The "gaps" in resources required for true human progress to the next stage in our evolution are the correct information, and enough of a work force. With an infinite supply of labour, we can do anything. Robotics and closed-loop system design can achieve this.

#### **TEACHING YOUR COMPUTER TO DANCE**

This is my name for a point where a computer has sufficiently advanced automated systems running, that it can perform entire complex processes without the need for any interaction.

Ultimately, such grand orchestration might be achieved through creating *macros to control macros*.

The lights will be on, but there will be nobody home. (We'll be at the beach.)

#### **EXPONENTIAL AUTOMATION**

If I wish to get a task done – I could create a machine that performs the task. However, if I can create a machine that either replicates or creates other machines; I

can ultimately get much more done.

Imagine for a moment the creation of a fleet of robots. Some of the robots build other robots. Some of the robots perform tasks, and some of the robots repair any robots that broke down. **Self-replicating machines** (this is a great article) have been named *Von Neumann Machines* – and have even been **proposed** as part of farfetched scenarios to Terraform other planets!

Now according to some, this is the stuff of dreams - or nightmares. But we may reach a point where machines are assembled and disassembled as required, according to the scale needed for certain tasks; and if such machines can also source energy and be self-sustaining; there may come a time when we are able to get an *exponentially increasing* amount of work done. It follows that in such a scenario, we may reach a point of exponentially increasing resources and wealth.

#### **AUTOMATION FLASH POINT**

Certain writers, notably *singularists* such as Ray Kurzweil, have talked about a *quantum point in evolution* at which time we will enter a rapid spiral of dramatic change on an unprecedented scale.

Now I don't like to pay too much attention to such predictions – as I believe they have a tendency to be wild, skewed and possibly way off target. However, I do see a point of *exponential change* within the world of robotics: The point when robots are advanced enough to replicate, to increase resources, and to construct new *closed-loop* processes.

#### REPLICANTS ARE ALREADY HERE

In the famous movie *Blade Runner*, there is an unforgettable scene in which a *replicant* (an advanced robot difficult to distinguish from a human, and therefore a threat to security) is asked a series of questions designed to reveal its nature as a robot.

The idea for this scene (by writer Philip K. Dick) was based on the work of <u>Alan</u> <u>Turing</u> – in particular his development of ideas for the "Turing Test" of <u>machine</u> <u>intelligence</u>, which is designed to reveal limitations in the ability of machines to think.

Now of course, it is well beyond current technology to create a robot that is indistinguishable from a human in its physical characteristics and ability to hold an intelligent conversation. But in one sense, replicants are already here. Blade Runner is already happening — online — in a curious scenario which was probably unforeseen by Turing and Philip K. Dick: Spammers constantly attempt to create

content (whether this is email or web pages) that is sufficiently indistinguishable from human-generated content to *fly under the radar* – at least as far as search engines, spam filters and other methods of automated detection are concerned.

Now most *automatically generated content* is quite easily spotted by someone with even the most modest amount of training in such matters.

However, algorithms are becoming more advanced – and at the point where the code of *syntax* is cracked, we are going to have another whole can of worms on our hands:

What happens when we can no longer distinguish whether online content was generated by machine or human?

I believe this will happen long before robots appear in human form.

The implications of *online replicants* should not be underestimated. When and if this happens, things will get crazy - for sure.

#### SEMANTIC INDEXING AND THE NEW MAPPING OF THE WORLD

One interesting development that is already underway is that of *content-based* semantic linking. An excellent video which demonstrates this:

http://www.ted.com/index.php/talks/view/id/129 The implications of this kind of technology are huge – and as can be seen from this video, are in some respects already here.

#### THE SHIFT IN VALUE OF HUMAN ENDEAVOUR

This is an interesting concept – one that I touched on briefly before. The basic idea is that if a machine is created which does a particular task better than a human, that task becomes somewhat *devalued*.

A person who used to sweep a floor by hand retains their value by becoming an operator of a machine that does the work.

However, what happens to the operator when the machine becomes sufficiently advanced that it needs no operator? If it sets itself up at timed intervals, sweeps the floor, puts itself away – even diagnoses itself when it has problems? It is not too much of a stretch to see from here to the aforementioned *closed loop scenario* of another robot that repairs the first one – ordering and fitting new parts, sending the old ones back.

The positive side of all this is that, as already mentioned, by applying robotics and

intelligent automation systems to resource management fields – such as recycling, industrial processes, manufacture, ecology management and energy – we have the potential to increase *out of all proportion* the amount that we *get done* – and increase dramatically the *wealth of the world*.

The flip side is that a large number of people may find themselves out of work. However, as has already been seen in previous times of technological innovation, new wealth will mean new things to do and new resources available.

As more of the work is done by machines, the *value shift in human endeavour* will move more towards intelligent design and creativity.

There are of course some major hurdles to overcome – such as the current *energy crisis* many believe we are entering – but new technology and closed-loop systems which address the needs of resource management and energy supply, will hopefully mean that ultimately we overcome these hurdles.

Resource management is currently one of the world's *great struggles* – and in the modern age there is all sorts of confusion – even warfare – over resources and different resource management ideologies.

The way forward is to develop technology that *increases the wealth of the world*. And – here's the most important point – *wealth* needs to be measured not in terms of money but in terms of *available resources* and sustainable systems. It is feasible that such systems could create a massive wave of real prosperity.

I think that our biggest obstacle is that people do not think in terms of *setting up systems*. They think in terms of getting what they can, as quickly as they can.

It's going to be interesting. There will be *plenty for people to do* – more than ever in fact: our opportunities for creativity will increase dramatically with the amount of time we have freed from the kinds of things that machines should really be doing already.

Do you still believe in the work ethic?

# TECHNOLOGY WILL SOLVE THE PROBLEMS THAT TECHNOLOGY HAS CREATED

I am a believer that technology can ultimately solve the problems that technology has caused: but the mission brief needs to change, that's all.

I like to think that when technology begins to *quantum up-level* the amount of resources that are available to all, wars will become a thing of the past. Who, having paradise, will be motivated to go to the battlefield?

But ultimately, I think we are headed for either utopia or *dystopia*. It really depends on us now – and whether we take our collective heads out of the sand. Time to stop fighting over existing resources, and instead apply ourselves to the task of generating more real wealth.

"Brain, ultimately, will always triumph over brawn."

#### **INSANE PROFITS?**

Now, I understand that for some of you, the world of automated processes will involve doing things that are above your technical ability. I make no apology for this. Besides, much of it is way beyond my technical ability too! I have simply presented as many possible ways to make money while you sleep as I can think of. Was it stated anywhere that every single one of them would be easy to implement? No. Some are – but I have pushed things – especially in this section – as far as I can towards the point of impossibility.

However, it is worth noting that those who make the breakthroughs in areas such as the ones described above, may make *insane profits*.

Make no mistake, some people are going to develop automated processes *that clean up* over the next few years. I believe some of them are going to generate record breaking fortunes in record breaking amounts of time – and that these fortunes are going to be made doing things that benefit millions of people.

### **FINAL END NOTES:**

Well there it is folks!

I hope you have enjoyed Alex Newman's Complete Guide To Making Money While You Sleep.

I had an absolute blast writing this book. I threw myself at it completely and learned a ton in the process.

I think you'll agree: Wasn't that a *mountain* of ideas for ways to make money while you sleep? I hope that it has succeeded in *lighting a fire* of inspiration and ideas in you.

Now it's time for you to go out and put these ideas to work!

#### The real test of this book

The real test of this book is not just whether I manage to sell a number of copies of it; nor is it whether I made the concepts in this book work for me. The real test of this book is in whether it works for you, the reader.

I want to know! If you achieve success making money while you sleep, I really would love to hear about it! Let me know – alex@money-while-you-sleep.biz

Also I would love to receive any comments, feedback or criticism about this book. If you find any errors, sins of omission or sins of commission – please let me know and I'll do my best to set things straight in a future update.

#### Here's to your success

I wish you every success in your adventures, a life filled with prosperity, passive income - and good fortune!

Don't forget to check out my *Free Guides* - available 100% free on <a href="www.money-while-you-sleep.biz">www.money-while-you-sleep.biz</a> - and keep an eye on the web site for further Alex Newman guides available in the future.

Also, if and when I update this book, purchasers are entitled to free updates for life.

#### Last words...

Literally as I finished writing this book and was thinking "I've done it!"... I received an email from super-internet-marketing guru Frank Kern. In this email, he directed me to a two-hour interview between himself and Eben Pagan.

These are two of the most successful internet marketers in existence. They are pioneers of *making money while you sleep*. It is for real.

This interview is AMAZING. Not only that but the uncanny thing is that they are talking about some very similar subjects to those of this book.

I don't normally get so blunt – but you need to listen to this <u>interview</u>. If you're in a hurry, (and if there's a shred of doubt left in your mind that some people really do make money on auto-pilot), skip to the part around 10min30 - 16min when Eben starts talking about his first automated sale and the implications of this.

Here's another one: Jeff Johnson reveals how he made \$119,000 while sipping margaritas by the pool:

http://www.youtube.com/profile?user=jeffjohnsonvideos#p/u/3/q9VgOQfqnuk

Now go get your game on, get your foundations in and start making some money while you sleep!

## **BIBLIOGRAPHY / FURTHER READING**

In addition to the many links dotted around, here are a few further classic works and research sources.

#### ON STRATEGY and "INNER WISDOM":

#### **Machiavelli - The Prince**

Sun Tzu: The Art of War

The Thirty-Six Stratagems Of Ancient China

Carlos Castaneda: The *Don Juan* series of books (The Teachings of Don Juan, A Separate Reality, Journey to Ixtlan, Tales of Power, The Second Ring of Power, The Eagle's Gift, The Fire from Within, The Power of Silence).

Tao Te Ching - Lao Tzu Sayings of Confucius

The Phoenician Letters by Wilfred Davies and G. Zur

How To Win Friends And Influence People by Dale Carnegie

#### ON MARKETING, BUSINESS, ASSETS, FINANCE:

The Millionaire Mind books – Thomas J. Stanley

Anything by Eben Pagan

Robert Kiyosaki "Rich Dad" books

**eBay for Dummies** 

The Zurich Axioms by Max Gunther

The Richest Man In Babylon George S. Clason (1926)

A Bull in China: Investing Profitably in the World's Greatest Market - Jim Rogers

Futures and Options for Dummies - Joe Duarte

<u>The Wealthy Barber: Everyone's Commonsense Guide To Becoming Financially Independent</u> – David Chilton

One up on Wall Street: How to Use What You Already Know To Make Money in the Market - Peter Lynch

The Essays of Warren Buffett: Lessons for Corporate America

Robert G. Allen Multiple Streams Of Income

Your Money Or Your Life by Joe Dominguez and Vicki Robin

#### **BLOGS AND WEB SITES**

www.bluehatseo.com - an incredible blog. Worth reading the whole thing as it

unveils a master strategy for internet domination. Highly advanced. Note - I am not wholly in sync with bluehatseo's methods - because it often deals with trying to beat the system rather than find a way to wealth through providing value. However, I recommend it for 3 reasons. One is it is technically brilliant. Two is that the techniques outlined are potential ways to make money while you sleep (although some of them seem to last about as long as a snowball in a volcano). And three is that.... once again... it gives you an idea how deep the rabbit hole really goes.

<u>www.paulgraham.com/articles.html</u> Brilliant essays on internet, business and life - highly recommended!

www.gurumastermind.com - Eben Pagan's current project.

www.doshdosh.com - Maki is a great writer, highly recommended.

<u>The Rich Jerk Blog</u> – if you're not offended by his completely politically incorrect humor, and look closely, you'll realize that this is the work of a financial genius.

#### RECOMMENDED GENERAL RESEARCH SOURCES

<u>Google books</u>. Amazing research tool. Use the <u>advanced search feature</u>. If you are doing historical research you can filter your results to old books by publication date.

<u>Wikipedia</u> - fantastic research and information on practically everything. Referred and linked to innumerable times in the research to create this book!

Oxford English Dictionary – i.e. the "longer" edition with the crazy <u>small print</u> and magnifying glass included. Probably the most complex book in existence and an indispensable research tool. The article linked gives a good idea of the staggering amount of work that went into the creation of the <u>OED</u>. You can pick up used copies on eBay for a fraction of the price of a new one.

## **MAKE MONEY SELLING THIS BOOK!**

If you find yourself enthusiastic about this book – you could make money selling it as an affiliate! Please go to <a href="http://www.money-while-you-sleep.biz/affiliates.html">http://www.money-while-you-sleep.biz/affiliates.html</a> – where I give step-by-step instructions and materials designed to help you achieve maximum success as a MWYS affiliate.

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