Types of Passive Income That Can Be Generated Online, And What To Expect - Part 3

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Welcome to the 17th Session of the Smart Passive Income podcast!

This is the final installment of a three part series where we're going over all of the different types of passive income you can generate online, and what you can expect when working with each.

We've had two really good sessions so far - #15 and #16 - and they came with a lot of great responses too. Thank you so much for all of your kind words so far. Plus, some people have contacted me and have already started their own niche sites, their own blogs and some of the other things I talked about in those sessions which is totally awesome, and I hope I've set the expectations right for you as you begin your online journey. You know, a lot of people give up in this business because they don't really know what they're getting into or their expectations aren't lined up with reality, and that's why I'm here recording this podcast series for you.

And yes - I know, I'm only one person, but I've got my foot in a ton of different income pools and I'm happy to share everything I know so you don't make the same mistakes.

So let's get right to it!

In this session, we're going over some of the more advanced types of passive income, I guess you could say - something more than just a niche site, a blog or affiliate marketing - things that do take a lot more work and upfront time and money to invest, for the most part, but - the rewards can be very very significant and for some, these things just might be more fun and interesting.

The first one I want to talk about is a membership website.

A membership website is usually some type of website that delivers content to a person who has purchased access to it. So, you know, you pay for this information, get a login name and password and when you sign in you're granted access to all of that restricted info, and usually there's some type of community on the site as well for members only, like a forum or something like that - sometimes tools and other software that can only be

accessed after becoming a member.

My first experience with a membership website came from Internet Business Mastery, which is a podcast hosted by Sterling and Jay - I'm sure many of you have listened to their podcast before, if you haven't I highly recommend it. Internet Business Mastery is currently 118 episodes in and counting and really their podcast is what inspired me to give internet business a try when I was laid off, so Sterling and Jay, if you're listening to this - thank you! I can't thank you enough...

They also taught me the power of podcasting, because really it was their podcast that led me to join their Academy, which is their membership website.

So, when they came out with their membership website in 2008, I joined and I'm still a member today.

I have always dreamed of having a membership website of my own, because it's probably one of the most attractive business models out there.

The reason why is because of the monthly recurring income. Let's do some match really quick just to help you realize the potential here:

Let's say you build a membership website and it's about - I don't know, autoparts. In your site you have exclusive information about where to get the best autoparts for the best prices, videos on how to install certain auto parts (I'm sorry I don't know much about auto parts so excuse me if the example is a little off, but I think you get what I'm saying). Basically, there's information, quality information that is for members only on your autoparts site.

Just to throw out nice round number, let's say you charge $50 a month for membership.

In the first month, you know it's a bit slow. Maybe you do some adwords campaigns or hit up your existing list on your autoparts blog or website and you get 10 members in there. That's $500 a month right off that bat. Not bad!

Let's say in month 2, you have the same kind of slow month and you only get 10 members again - the same amount. Now though, you have a total of 20 members, each paying $50 a month, which is...$1000 a month. Lookin' good, even though you still had the same amount of sales, your income doubled.

Now, in month 3, let's say you started to rank high in Google for your keywords finally,

or you were mentioned in a news article on a major newspaper or in a magazine article or something, and you had 30 people sign up in month 3. That's 30 people at $50 each, which is $1,500. Even better...but wait...there were already those 20 people in there paying you $50 a month from the first two months, so really you now have 50 members bringing in $2,500 a month.

That's only 50 people...paying $50 a month.

Maybe your membership site has a ton of value, worth much more than $50 a month (maybe you have exclusive deals with some autopart manufacturers that your members can have access to to get parts for cheap, for hundreds of dollars off the normal price), so you double your price to $100 a month. Now 50 members would bring you in $5000 a month, which is $72,000 a year, and remember each month, hopefully, your membership numbers would continue to grow, and so would your income.

This is why a membership website is so powerful - it just builds on itself and as your site grows, and word spreads and maybe you have an affiliate program in there to intise people to help spread the word even more - really the sky is the limit!

Now - that's all the juicy stuff, and really the business model is awesome, but of course, as with anything, there are some things to think about before you get all crazy and start to build a membership website.

Yes, this *can* be a form of passive income. You can get new members and overnight while you're asleep if the systems are in place, however in order to **keep people in your membership site over time**, or in other words, **RETAIN** your members, you're going to have to do a bit of upkeep.

If you simply create content for your membership site, put it on there and then leave it at that, you may have members come on board for 2 or 3 months, but if there's little activity and no additional information to digest, chances are people will cancel their membership. It is said in the industry that the average length of membership is only 3 months, and I think this is because a lot of people set these money machines up, but don't add anything to it that would keep people paying their monthly fee.

But, I've heard of some membership sites that do things like engage their community, hold monthly webinars with brand new content or answer people's questions, add new coursework or material to the membership site each month - I've heard of these kinds of sites holding onto people for years. I mean, I've been a member of Internet Business Mastery for over 2 years now.

Just some things to think about, because you'll always hear the math but they don't tell you that people do cancel memberships for a bunch of different reasons.

A few other things to mention about membership sites - like I said before it does require a lot of work, it's not a total set and forget kind of deal, but there are ways to make it a little easier on yourself if you do decide to try a membership site.

One of the best ways to retain members is to have some type of community of forum for members only. This keeps new content coming and fresh on the site (since it's user generated), and it build camaraderie and sometimes members become friends with each other and would feel bad just cancelling and leaving the community that was built. So, I've noticed some membership sites do this - they either hire someone to really just be in charge of making sure everyone's questions or comments are addressed, and some forum mangers, as they sometimes call them, do a really good job of starting up conversations to get people involved, which is cool.

When I was a part of the problogger.com forum community, I remember Darren Rowse appointed someone who was in charge of the forum who became very active and really did a nice job of keeping us all engaged, informed and interested. I thought that was really awesome.

Another thing you can do is really try to make new members welcome. As I've mentioned before - first impressions are everything, so if you can give new members something that blows their mind - maybe a really personal welcome video, or something free for them as a thank you that wasn't even mentioned in the sales letter - I think that would go a really long way.

Like I said, I don't have my own membership site yet, but if I did these are the kinds of things I'd do. It's the kinds of things I'd want for me if I joined some kind of membership site.

Here's a cool idea. How about sending new members a thank you postcard? I would totally do that. It would totally blow me away actually - I mean who does that? Something like that - out of the box, would really make a difference and probably keep people in a membership site longer.

As far as how to set one up: really there's a bunch of different ways. Before there was this script or piece of software called aMember, which was really code heavy and something I looked into but it honestly scared me a little. Now, they have things

like wordpress plugins that can turn your wordpress blog or wordpress site into a membership website. The plugin I'm thinking of specifically is called WP-Wishlist, which I actually just installed on a site for a future membership-type site and it's working really well so far, very easy to use and it has a good support system.

After you set one up - and with WP-Wishlist you basically can create pages or posts and set restrictions to them for different levels of members, so only people who are members will see them, the trick is, of course, getting people to become members.

If you have an existing audience already, like from a blog or a podcast, it's going to make your life so much easier, which is why you'll see a lot of bloggers and podcasters come out with membership sites **after** they've built an audience and gained authority in a niche.

If you don't have an audience already, it's a tougher battle but you can still do really well with it, especially if you have quality information within your site. Of course, you could go the advertisement route - with adwords ads or facebook ads, but that will cost you some money and you'll have to really make sure your sales page, or whatever page people land on from clicking on your ad converts well.

To increase conversions, no matter how you're getting traffic, whether you're getting traffic from advertisements, or naturally from search engines or by having affiliates or other people in your niche send traffic over form their blogs and email lists, one thing you could do is give away a 1 month trial. A lot of membership sites let you become a member for 1 month for free, or sometimes you'll see a trial for only $1.00. This obviously will get more people to sign up and if your first impression is good, and the quality of information on your site is worth the monthly fee, people will pay to stay.

There's a lot to membership sites - and I'm just speaking from my own experience as a member of several different membership sites at one point or another, so I'm sure there's a lot more to it but I hope you can see that 1) it's an awesome business model 2) it does take a lot of work to create and it definitely requires some time (or at least some help) to maintain it if you want to retain members, and 3) like with any other product out there for sale there is a marketing aspect to it.

Next, let's talk about Software.

Software is a product you can sell that is great for passive income. What's cool about code or software is that it is very scalable.

There are a lot of businesses out there that have gone huge by selling different types of software.

For example, you may have heard of a wordpress theme called Thesis. Thesis is basically a framework that one could install on their wordpress site that makes it really easy to customize and become very search engine friendly. There was an interview on Mixergy.com with Chris Pearson, the creator of the Thesis Theme (and I'll have that link for you in the show notes on the blog), and it's just crazy how much money just some pieces of code could make because it accomplishes something that everyone wanted (which is obviously the key when it comes to producing software - making something that solves a problem or makes someone's life much much easier).

I think I remember in that interview, he was talking about how they paid their affiliates over $400,000...their affiliates, so you can imagine, if that's just a little piece of the pie how much Chris and anyone else involved in the project made.

Another example is wordpress plugins (and I know I've been talking about wordpress "software" only so far, but it doesn't just have to be code or script for wordpress, it could be for anything). Michael dunlop sold thousands of copies of his plugin called Popup Domination. I don't have any numbers on WP-Wishlist, but that's another wordpress plugin I paid a bit of money for to turn my wordpress blog into a membership website.

Market Samurai is a piece of software that I bought that helps me quickly find profitable niches and understand keyword research and competition.

There's another piece of software over at CoverActionPro.com that basically takes any 2D image, in photoshop, and with two clicks can turn it into any number of 3D images, like a 3D book, magazine, software box, cd, dvd, you name it.

I've just started to get into software as a potential for passive income, and if you don't know how to code, like me, then you'll have to outsource your work, which obviously comes with a price. You could find a partner and agree to split any revenue that you make with your software, I guess - there's nothing wrong with that, although I could see the potential for a number of disagreements or problems that come along with that. if you do go down that route, make sure you just have a contract or written agreement in place between you and your partner with how things work, who does what and how revenue is split. I'm not a lawyer or a financial advisor, obviously - just sayin.

Outsourcing your work - especially for software, is very very stressful. I'm going through

this right now with some wordpress plugins that I'm having developed. You've heard me talk about them over and over again for, I know what seems like months now - and it has been months because there have been a lot of delays and hiccups along the way. It's all part of the learning process, but I'm just letting you know - unless you get really lucky you will more thank likely experience the same thing.

To help you out though, this is what I've learned so far:

1) When outsourcing your software applications or plugins or whatever, make sure you are very very very detailed and precise about what you want and how things should work. if you leave any holes, your developer will either fill in those holes with things that shouldn't be there, or you and your developer are going to have a lot of conversations and meetings together.

2) If you're planning on getting your software out by a certain time, give yourself at least a month of leeway. There will be delays, just expect them and you'll be okay.

As you know, I still have yet to launch my plugins. They are very close to being complete, and actually one of them is already complete, but still there's a lot of testing and configuration and back and forth between myself and the developer - it's crazy, so we'll see how that goes and I'll definitely keep you posted.

If you can find an in-house developer or a local one to help you with your project, that may move things along a little faster.

One thing though, if you're thinking about software, and this is what people have told me before - **support for the software is important.** The thing about software is that it's not always perfect - especially things like Wordpress plugins which could look funky on one site, but look completely normal on the next. Because there are so many tweaks and it's really easy for a piece of code to break because of one little extra character - it's fairly common to get a ton of requests for help after the software is sold. Going back to the thesis theme, they had an entire forum setup to make it easy for people to send in requests and look a previous requests to get all of their questions answered.

So, just keep that in mind. Although you can make decent money selling some software that meets a certain need, it can also come with a lot of service requests and upkeep.

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Again, it's a form of passive income because you can sell software from your site without you having to be there for a transcation to happen, but it requires more upkeep than some of the other types of passive income we talked about in the previous two podcast sessions. If you're really serious about a particular software idea that you have you may want to look at hiring staff to be there for support so you don't have to worry about it.

Another type of software besides plugins, themes and desktop applications that I've already mentioned on a podcast before has been a really fun and successful experiment for passive income, and that is mobile applications.

If you go back and listen to session 14 of the smart passive income podcast, you'll hear me talk about iPhone applications in detail and reveal a lot of tips and tricks if you want to get started with iPhone app development. Currently my company has 27 apps live in iTunes and we're working on some more right now. That include a couple iPad apps coming out soon to hopefully take advantage of the new iPad 2 release. Should be good times.

The same rules apply with iPhone, iPad and Android applications that apply to other types of software. If you're going to outsource, be really detailed with exactly what you want to see in your application - I mean like SUPER detailed. What it looks like, what happen when you push this button on the screen and what sounds play and all of that stuff. Again it's really important to do this, even though it takes more time and work up front, because it'll save you a load of hassle in the long run.

The main difference between mobile apps and other kinds of software, is that this software is delivered and handled by a third party marketplace like the iTunes App Store, instead of being sold on your own site. So, there are some pros and cons to this - the pros being that Apple handles the delivery of the software, they have a huge search engine and marketplace already in existence and they want to sell your application, because the more they sell the more money they make too. But, the cons, is, like I just mentioned, they take a cut of your paid applications (Apple takes 30% of all sales made), and you have to comply to their rules. You're basically in their playing field and whatever they say, goes. A lot of companies and developers have gotten upset at Apple because their apps which they spend a lot of time and money on building go into an approval process and get denied for whatever reason, which has happened to me before and it's definitely a hassle. It's not back to the drawing board though, because most of the time you can recode the application or change something to comply with their rules and then get it approved eventually - it just takes more time and there's really no way to know for sure until you submit your application and hear back from them.

Again, if you want to know more about iPhone applications and learn more about how much you can make and how much I make and some of the apps that we're seeing success with, check out session 14 if you haven't already.

Next, I want to talk about podcasting as a form or actually a platform for passive income.

Podcasting, in this case, is very similar to blogging - you setup a platform to create content, build an audience and give yourself the authority and potential to launch your own products, eBooks, membership sites, etc.

And, like blogging, it takes a lot of work to get to this point. I mean, you have to constantly be producing content, reaching out to people and building relationships with not only your audience, but people in your niche as well - other podcasters maybe. But, what happens in, for example, let's say in this podcast, for example, I give you an affiliate link. So I say, if you're interested in learning more about keyword research and finding profitable niche sites, go to keywordresearchwebinar.com to watch a free webinar about it. And in that webinar, I don't sell anything but I recommend a product called Market Samurai that I show you how to use.

After this podcast episode is published, which it is already obvoiusly because you're listening to it right now, it's up there for good, so today - tomorrow, next week or next year, anyone can listen to this, hear that domain name, keywordresearchwebinar.com, go to it and that gives me an opportunity to earn an income. So, like the tagline says - put in the hard work now, reap the benefits later - creating content now is the working hard part, but you can constantly reap the benefits of the content you publish dayin and day out without any additional work. Again - passive income. And this is what happens with my podcast, internet business mastery - sterling and jay who promote their academy, cliff ravenscraft from podcast answerman, who currently has exactly 200 episodes as I record this episode (which is awesome, congrats Cliff!), and when you think about it, each of those 200 episodes is an opportunity for passive income, for people to go through to a link just like the example I just gave you, or simply just connect with Cliff, get interested in what he does and visit his website, where he has a number of digital products for sale that have to do with all aspects of podcasting.

So I hope you can see how podcasting is a form of passive income, but really in the sense that it help help you launch a platform that you can them use to launch other passive income type products - eBooks, courses, membership sites, even software - those kinds of things.

Rarely, you see some people actually making an actual passive income from the podcast that they record. I guess you could say getting sponsors is a form of passive income - but really what I'm talking about is people like my buddy Cornelius, who was actually a member of the Internet Business Mastery Academy with me, he has a project management podcast and has a free podcast on itunes, and he sells a presmium podcast that only people who pay can listen to, and that's totally passive because he's recorded those before hand, and I'm sure he's adding more and more to the pool of premium podcasts at time goes by, maybe - I'm not sure, I'm actually going to be interviewing him along with some other people who make money online who are NOT in the make money online and blogging industry - so look out for that. I'll have to ask him, but either way he's done the work, setup the architecture and now people can listen to his free podcast or come across his website, and pay for the premium content without him really having to do anything extra.

As far as setting up a podcast, it took me a year and a half but that's only because I was scared - scared about my voice and scared really because I didn't really know what I was doing, but when I look back I really had nothing to be afraid of, and anything else that I started, from greenexamacademy.com to my successful eBooks - I was scared before those things blew up too - so really I should look forward to being scared, cause that's a sign I'm onto something big...

Anyways, getting a little off subject, as far as the podcast is concerned there is obviously a lot of equipment to buy if you're serious about it. You can get a cheap mic but sound is everything, you can have the best content in the world, but if the sound quality is bad no one is going to listen. So, a good mic is a must - I'm using a Heil PR 40 which is a topfire microphone, which means sound is recorded from the top only, unlike other ones that record from the side. This helps reduce any background noise and only records the sound of my voice. Then I have a pop filter which helps reduce the "p" sounds, which come with a lot of air and can really distort the sound quality - very important. The Heil also needs a mixer because it's not a USB microphone, so the mic plugs into the mixer where I can adjust the settings - the bass, volume, treble, all that stuff, and the mixer is what connects to my computer. I'm using garageband to edit everything, although it helps that I'm doing most of these show unedited except for the intro, outro and any interviews that I add into it. If you're on a PC or just don't have access to garageband if you're on a mac, a lot of podcasters use Audacity, which is a free software, to record everything. Works great. I'm not going to go any further into the detail of how to set it up but I definitely recommend checkout out podcastanswerman.com for more details. He's got a ton of free information - like I said 200 free episodes, so check those out if you're interested.

Really, I'm super stoked that I made the decision to start podcasting. It was really listening to podcasts that got me motivated to do internet business in the first place, so I hope I can complete the circle and help and inspire some of you out there though my own podcast as well. And maybe some of you will pass it along too!

We're coming up to the end here, but before I go I want to talk about one last potential passive income stream with a twist, and that's coaching or consulting.

I know what you're thinking...how in the world are coaching and consulting services passive income, because even more than blogging or podcasting, it's a direct equation of time = money and no time = no money, which goes totally against the passive income business model.

Well, when you get to a point with your blog or business and you're able to then offer coaching or consulting for a fee, there are things you can do to make your life easier and get more out of your time.

First, and this was a suggestion that was given to me which led to a coaching course that I did with Tyrone Shum to teach people how to build niche sites - you can teach and consult more than one person at a time. So, let's say you're charging $100 an hour, if you hold an online class where you meet maybe an hour a week for 8 weeks, that's $800 in total, but with 20 people, that's $16,000 right there, and this is exactly what we did. We held an online class using GoToWebinar - we met once a week for 8 weeks, actually it turned into 10 because we added a couple of catch up weeks in there, we had a total of 20 students and helped them all build niche sites, and we got more money for the same amount of time we would have spent doing the same thing for one person.

Secondly, the nice thing about coaching or consulting is that you can set your own terms, create your own schedule and make things work for you, instead of you working for someone else. You have total freedom with how you handle things, and even though you're going to obviously have to get on a call with someone, maybe through skype or GoToWebinar, whatever, it's on your own schedule so it's not like the traditional trade the time that you don't always want to trade for some kind of income. I know I'm stretching it a little here as far as the definition of passive income is concerned, but really doing coaching and consulting is a very fulfilling way to potentially earn a lot more money than you could at a regular 9 to 5 job. I've been doing some consulting lately and charging $350 an hour, which is definitely an hourly rate that is much higher than when I was working in an architecture firm.

Thirdly, if you go the multiple student coaching route, you could potentially use that material and informatio in an actual passive income business model, for example a membership site that you could setup after the class is over using the same recorded webinars and anything else that was involved with your course. Maybe you turn it into an eBook or another digital product that you could sell on your blog, or maybe you run an advertising campaign for it - there's lots of potential there, and you wouldn't have to work with students individually who purchase that product. Definitely a passive income product right there.

For me and Tyrone, we really liked how the course went and it was really fulfilling to see our students build sites from scratch, do something they've never done before and even get some first page rankings - we're so proud of them - so we will be opening up our niche site coaching program again in the near future - you can sign up to get notified about that at nichesitecoaching.com, but my point here is that if it's something that you really truly enjoy, it doesn't even seem like work at all anymore, so in that sense, whatever you plan on doing online, even if it's not the most passive thing to do - as long as it's something you enjoy, then that's really all that matters.

A lot of people try to get into this business and they end up putting themselves in a situation where they aren't doing something they love, which is crazy to me because with online business, you have the freedom to do whatever it is you want to do. People create blogs and they end up hating what they've started, and maybe they are making money but seriously people, you have one life to live, we're in a digital age where we can, for almost no money, create a thriving internet business doing the things we love and are passionate about, and if you don't believe me definitely pick up Crush It!, a book by Gary Vaynerchuk - it's recommended reading for those of you listening to this, and just take action and do it! Don't just sit there and listen to a podcast for a year like I did and wait until a layoff or something that forces you to give online business a shot - know that you can do this, even while you have a 9 to 5 job, because if there's one thing I could change about the past, as much as I think my layoff was a blessing in disguise and I'm so thankful for it - the thing I would change would be I would just get started earlier. I left a lot of money on the table by waiting. Just sayin' - hopefully that motivates some of you who are sort of just interested in online business but kind of scared or don't feel like it's something you can do. You can - people are, including myself, and I'm nobody special. I just took action because I was required to.

So, enough run on sentences! That's it! That's the end of our 3 part podcast series on passive income businesses and what you can expect. I hope you enjoyed it. If you did, I would very much appreciate a rating in iTunes, even if you don't feel like leaving a review, even a 1 to 5 star rating makes a big difference - thank you in advance for that

and to any of you who have left ratings and reviews for me already.

My last request to you is to head on over to eBooksthesmartway.com and get your free copy of eBooks The Smart Way, my free guide that walks you step by step how I created my first eBook which helped me to earn over $200,000 within my first year online, which is definitely not normal, I'll tell you that upfront, but it really happened and it could happen to you to - so check that out. Again it's free at www.ebooksthesmartway.com.

Also, if you've reached this point - thank you again for spending almost 3 hours with me from start to finish with this series. Please come by my facebook page and just say hello - you can go to www.PatOnFacebook.com and you'll go right to my page. I'd love to see you there.

Good luck, I wish you nothing less than success - and seriously thank you for all of your support.

I'll see you in session 17 - I have a special guest for the show, which I know hasn't happened in a while, it's been all me for a few sessions lately, but I'm excited to pick this person's brain for you. He's a multi-millionaire in the internet space, a published author and now that I've gotten to know him, he's just an awesome guy. Can't wait to share that with you.

Until then - all the best.

And, cheers!

-Pat
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