



**SPI Podcast Session #194–
(Updated Recording)
Types of Passive Income Generated Online and
What to Expect from Each – Part 3**

Show notes: smartpassiveincome.com/session194

This is the Smart Passive Income podcast with Pat Flynn, Session #194. Let's do it.

Intro: Welcome to the Smart Passive Income podcast, where it's all about working hard now so you can sit back and reap the benefits later. And now your host – he's one of the top buyers of Post It Notes – Pat Flynn.

Pat: What's up everybody? Thank you so much for joining me today in Session 194 of the Smart Passive Income podcast. This is the last podcast episode in a series of 3 that I've created to help you understand the different types of passive income you can generate online.

I created this series of episodes a long time ago back in 2011. A lot of the information is still relevant; however, I wanted to create something more updated for you. I'm really excited because we're going to round this off with a great show.

In Part 1 in [Session 192](#) I already talked about a lot of the foundational items that you need in order to succeed online, so if you haven't listened to that yet, I recommend you listen to that first if you have the time to go back and listen to that one. You can easily access that by just scrolling down a couple episodes in iTunes if you're listening on iTunes or Stitcher, or by going to smartpassiveincome.com/session192.

In Part 2 we talked about affiliate marketing, advertising, writing ebooks, and also creating online courses that you could sell on your website. That is all in [Episode 193](#). You can check that out at smartpassiveincome.com/session193.

Today we're going to talk about membership websites, different kinds of software you can create, from apps to SAS (software-as-service), and digital goods. We're also going to talk about how you can make passive income through coaching, consulting, and freelancing, and doing things that traditionally are more of a 'trade time for money' type thing, into an 'invest time up front to make money in the long term' type thing – again



putting in that work up front to reap the benefits later. We're going to talk about how to do that, too.

I'm really excited because we're going to start with membership websites, which I feel has been traditionally in the online space kind of the Holy Grail of passive income. The reason for that is because it kind of combines the idea of an online course – a way for you to teach kind of a class online – with recurring income. Recurring income is the Holy Grail of passive income because you're getting a set amount based on the number of users or students or people who are members every single month.

For example, if you were to make \$10 per member for 100 members in that first month, you would be getting \$1,000. Don't worry about the pricing or the number of students, this was just used for an example. 100 members in that first month after you launch your membership website at \$10 per month, you're making \$1,000 that first month.

Next month you get another 100 students in there and you get another \$1,000 from those students, but you already had 100 students in the course who are paying you monthly also, so by the second month you'd have 2,000.

Then the third month maybe you add another 100 students, and you add another \$1,000 to that recurring monthly payment so you'd be making \$3,000 a month at that point, and it just continues to grow at that point.

Now, of course there's a lot of things involved with that in terms of retention rate and churn, meaning how many people don't continue to pay monthly, and there's a lot of advice and tips and strategies I can give you to increase the likelihood that people are going to keep paying. I'll tell you more about that in a second, but let's just talk about this idea of a membership website.

This passive income is very, very attractive but it's also very, very difficult to command, especially with a membership website where in order to charge a recurring fee – in order to charge people monthly, quarterly, biannually or annually or whatever – you need to give people a reason to do that.

When we get into the software segment of this particular episode you're going to see that it's much easier to do it with software because people want to continue to use that software to help them achieve whatever it is that software helps them achieve. With a membership website, for example, you're going to have to give people a reason to keep coming back.



It could just be access to you. You're giving people access to you through monthly calls and coaching calls and group calls and Q&A sessions and that sort of thing. You're also getting people interested in coming back every month because of new content that you keep producing, so you're going to have to continually pump content. So as passive as it might sound, it's not absolutely passive, but nothing is absolutely passive, like I mentioned in the first of this series of episodes in Session 192. But you can make things more passive than others, of course.

The idea here is we're creating ways to create flexibility and freedom in our lives. Nothing is something you can just set once and forget, but with a membership site more so than an online course, for example, that's just static and already set with a finite amount of information, a membership website you're going to have continually keep updating or else people are just going to drop out. They're going to ask themselves when they get that next bill every month, "Why am I still in here? I haven't gotten anything new, or I've already seen everything so why do I need to continue paying?"

That's one of the downfalls of a membership website that a lot of people don't even realize, is that you have to keep people interested in coming back in order to have them continue to keep paying month after month, or whatever the fee is and how often you charge.

There's other things that you could include, like certain exclusive content that is not necessarily videos or course work but just certain things that people get access to that people on maybe your website publicly don't get access to. So you can be creative with what you can do to keep people in monthly, but there's a lot of other things that you can do to keep people in too.

For example, if you know – and hopefully you'd be keeping track – there are a lot of different types of software out there that you can use. I mentioned these on the previous episode but I'll mention them to you again.

The one that people are traditionally using on their website if they have a WordPress website is WordPress [Wishlist](#), which is called Wishlist Member, a membership site plugin that allows you to restrict access to certain pages but also integrates with a lot of other tools, including forum tools and things like that. I'll talk about a forum or a community within that particular membership website in just a second because that's extremely important for retention rate.



There's also [Zippy Courses](#) by Derek Halpern, at smartpassiveincome.com/zippycourses. I've used that one as well and it's also very easy to use, but that's more of an online course thing as opposed to a membership website, although you could integrate that into something that becomes a membership website. There's also one called [Teachable](#) that you could also explore too.

Let's talk about this forum or community aspect. Memberships often come with a community, not just online memberships but whenever you're a member of something there's typically ways that people in charge of that membership get people involved through monthly meetings or events or anything like that, and you can do the same thing on your website. Actually, this is a huge value-add for people. A lot of people enter for the content and stick around for the community.

This is exactly what I experienced when I joined [Internet Business Mastery Academy](#) back in 2008. I experienced the same thing. I joined for the content, and once I'd absorbed everything and put things into action and found success I stayed. I stayed in because of the community and the people that were there and the relationships that I built.

That's one big thing that I would recommend you include in your membership website if you want it to succeed and become something that people will continue to pay for, because people will continue to pay for those relationships that they've built within your membership website – the opportunities to connect and network with people, and also get advice, create mastermind groups, and also just get feedback and share advice with each other in there too.

There's a number of different ways to do this. You could integrate a forum plugin. There's a lot of plugins out there, from [BuddyPress](#) to [Vanilla Forums](#), and you could have those included in your membership website itself, or you can include access to a secret Facebook group, which is what I know a lot of people do.

That's a little bit easier to manage; however, not everybody is on Facebook, as ridiculous as that might sound. Some of you aren't and that's okay. Kudos to you. You actually probably get stuff done during the day, because Facebook is definitely a distractor for a lot of people, including myself sometimes, but let's get back to it.

A membership website, having course work in there, access to certain videos, access to interviews with people in your space that aren't available on your website, access to exclusive content – and again you're going to have to continually add stuff or give



people a reason to stick around. A lot of people do monthly calls or weekly calls or what people call office hours sometimes, digital office hours, which is pretty cool.

You're also going to have to include some sort of community in order for it to really succeed. You don't have to, but I feel like you do because it's going to be a bigger value-add to your audience.

Now here's the thing you have to watch out for. When you create this forum, the worst thing that could happen is have it be a dead man's land, have it be a ghost town. When people see a forum and it's inactive it's just not going to look good, so you want to get people involved. You want to prompt certain questions. You'll want to get people to go in there and introduce themselves immediately after they join your course. That way they start to get used to getting in there and meeting people and getting involved in the community.

If possible, I would recommend having a community manager because that takes on a life of its own, the community within your membership website. Again it's very important to have because it keeps people in, but it needs to be active in order for it to do that.

The people over at [Fizzle](#) – Corbett, Chase, and Barrett – they do a good job. They've hired a community manager within their forum in Fizzle.co, which is an online community of people who are learning about online business. They have a great community and they keep things active because they have somebody in there and that's their purpose, to keep it active and keep people happy and answer questions.

It's when you get to a point where you're trying to do everything yourself – you're trying to figure out what kind of content to continue to add into the membership site, plus keep the forums active, plus answer everybody's questions – that you miss some questions and people feel bad because their questions didn't even get looked at, and how do they know if it's involved. Then they get that monthly bill and then they just don't sign up again because they felt let down.

Just be aware that when you create a forum or have some sort of community, you really want it to be a community, and that's when it's going to really help you, too. Just things to know, things to make sure you keep attention to before you get into it, so hopefully that helps you.

Some other cool smart things to do to keep people happy in your community are to give them special access to things that you don't give to other people publicly. For



instance, if you're going to an event you might throw a special Meetup. You might rent out a restaurant and bring all your members in who are in that area to come and hang out and meet each other. That's going to really help people with wanting to stick around because they're going to meet people in person and develop these relationships, not just with you but with other people too.

Also giving them just little thank you notes and cards every once in a while. I think this is something that John Lee Dumas does. As soon as someone signs up to become a member of one of his groups he sends them something and it just helps out. It's just a really nice small gesture.

It doesn't even have to be huge sometimes, like an event for your people. Sometimes it's just a matter of taking a little bit of extra time. When people know that you're taking a little bit of extra time out of your day to make sure they're okay it's going to mean a lot and it's going to help them stick around.

Another thing you could do is if you're keeping track of the retention rate and the churn and you know when billing cycles happen or you know for example that people drop off at the 3-month mark – they stick around for 3 months and then typically they drop off – if that's the average, then you can include some things even in an automated fashion that happen at the 2-1/2-month mark or maybe 10 days before that typical drop-off period. Send them something amazing that makes them really excited, so that when that bill period comes at the point at which they would typically drop off, they won't.

Keep those things in mind moving forward if you do go into a membership website and you are going to be charging a recurring fee. Those are some things you can do to make sure that you don't get people dropping off.

Also make sure to pay attention to credit card expiration dates. I know this is an issue that a lot of people who have membership sites have, especially on the recurring income side of it, because eventually our credit cards expire. If there isn't a process involved for people to get their new credit card billing information updated, then you're going to lose that customer and it's a waste because they would probably like to continue if they didn't choose to remove themselves on their own.

If their credit card expires, it's going to take a lot of work for them to get back in after that credit card expires, so catch them before that. Again there's a lot of different pieces of software or automated systems you can use and create to make that happen on your end.



So that's what we're going to talk about for membership websites, a good overview and a good introduction and some tips for you there if you're running one already or if you're about to run one or thinking of running one for your audience too.

Continuing on the topic of recurring income, let's talk about software. Software is an amazing solution if you're able to build some piece of software to help a particular audience. We'll talk more about how to find that audience and what to do and what kinds of things work and what kinds of things don't.

This is also another path toward recurring revenue. Not all software has recurring revenue. I've purchased and I have created software that has been a one-time fee and that's fine, but it also gives you a good opportunity if somebody were to continue to use that piece of software and need to use it, it would be a perfect solution for you to build that passive income model. Then the more users you have, the more recurring income you're going to get.

There's a lot of great examples out there. I did create an iPhone app company with my high school buddy back in 2009 and that was actually very successful. We created a lot of silly applications that were based off of a lot of inspiration from Joel Comm actually. You might remember an app called iFart, and this app would just make funky noises, and we were like, "What? How can this person make a million dollars?" because he really did make a million dollars from that app. It was a 99-cent app and it was the #1 app I think that Christmas in 2008.

We got pretty inspired by that so we decided to create our own app company. We outsourced the design of over 25 different applications. Some of them didn't make any money at all and some of them made tens of thousands and hundreds of thousands of dollars.

Over time that business just sort of died out because we both had other things to do, and I've been focusing on Smart Passive Income and a lot of these other things that I'm focusing on right now, and he's been focusing on his own business too, but those apps are still generating over six years now at least \$1,000 a month. For a while it was generating over \$40,000 and \$50,000 a month, which was pretty awesome.

But I don't really want to talk about iPhone applications. I just want to talk about software in general. There's a certain process that you can use to build it in a certain way, no matter if you're building iPhone apps or SAS or any other kind of digital software products.



Before that I do want to tell you a story, and this story involves a hard \$15,000 lesson that I learned. This involves me getting really excited about watching a couple of my other friends create software. I had a couple friends in the online space who were creating WordPress plugins. WordPress is a blogging platform that you can use to build your blog, and it comes with the ability to create plugins.

There's a lot of free plugins you can use. You probably use a lot of them already if you have a website, and there's the ability to upload custom plugins that other people have created. These plugins allow you to achieve certain things on your website that might be harder to do or code on your own. You literally just plug and play these plugins – that's why they're called plugins – and they do that thing for you.

I saw my two friends do this. They sold these plugins as premium WordPress plugins for the WordPress blogging platform, and they were making 6 figures a month – 6 figures a month! I watched them go through this whole process. They were showing me the numbers. They were showing me the development process and I got really excited because I got to follow their journey along with them and see how well they were both doing. They were two different kinds of plugins, two different people. They didn't even know each other and it was really cool.

I was like, "Wow, I want to do that too. It seems like there's a lot of money in this," so that was my motivator, "There's a lot of money in this." In my experience, everything I've done where that has been the primary motivator has failed and this is another one of those examples.

I built actually two WordPress plugins. I just rushed into it, didn't really know what I was doing or even getting myself into, but I found a company that was going to be able to build these WordPress plugins for me. I said, "I want this plugin done and I want it to do this, and I want this plugin done and I want it to do this," and that's really all I told them.

A couple weeks later, after a few thousand dollars through that process, I got the plugins back and they weren't anything like I had imagined. Then there was a lot more back and forth, a lot of frustration, a lot of stress. Finally I got something that was a final product, and even in the end I was just like, "You know what, this was actually a terrible idea." The other one was just never finished.

So after spending \$15,000 total across the board, passing back and forth these messages and these iterations that just weren't working, I realized that software wasn't right for me at that time, and there were a lot of hard lessons learned.



The big hard lesson was don't rush into it because you're going to need to do a lot of things beforehand to make sure that it's something that you really want to do. You need to make sure that you're creating something that people are actually going to want to use. You don't just create something because you think it's something that you want to create. You don't just create something because you think it's something people will use. You want to know beforehand that it is something people are going to want to use.

For me, part of the problem was I wanted to keep it a big secret because I wanted to just release it and launch it and surprise everybody on Day 1 of launch. In doing so, I wasn't able to have those conversations that are so important, where other people can help poke holes in your idea so you can fill in those holes or go a different direction or actually serve your audience in the way that you need to be serving them, so that was the first lesson.

The second lesson was I was doing two at the same time. What the heck was I thinking? How was I supposed to even do one and rush into it without knowing what I was doing, let alone do two? So that confused things, and obviously I was doing it for the wrong reasons. I was money hungry and that was wrong. Again I wasn't trying to serve my audience, I was only trying to serve myself.

Then the third mistake was the lack of communication and the skills I had to communicate properly with what I wanted to happen with my developer. The developer did his job. I didn't do my job. I expected my developer to understand everything that was in my head, and how could he do that if I didn't even understand everything that was going through my head.

If you're going to get into software, the most important thing you have to understand is what it is that you want to create. That is going to be largely based off of the feedback from your audience and survey questions and beta testers and all that sort of stuff, getting people to look at a wireframe essentially, and that's what you want to create. You want to create a wireframe, something that people can hold or look at. It's essentially a prototype of what it is that you're going to create, so you can get direct feedback on what that is.

After you move it around, switch it around, mold it and adjust it in the way it needs to be for that particular audience that you're hopefully speaking to while you're creating this, then you have something that you can give to your developer and there will be nothing lost in translation. It will be exactly what it needs to be because they will see it.



“When people click on this, it goes here. When people tap this button, this is what happens on this screen. And from that screen, these are the elements on that page.”

You don’t need to be an expert Photoshopper or anything like that. There’s a lot of tools out there to help you with wireframing certain applications, but you could also just hand-draw it or free-draw it. Any little bit of drawing helps. Literally you want to create a wireframe of what you’re creating all the way through.

The cool thing that happens when you do that is not only the end product is something you can give to a developer, who will not be able to be so confused as if you were to just tell him or her what you wanted, but the other thing is through the wireframing process you’re able to discover on your own, or with your team if you’re doing this with other people, what’s missing or what needs to be added or things that you didn’t even think about.

For example, there were a lot of instances in this where I didn’t even think about what the back end of the WordPress plugin looked like. I knew what I wanted it to do, but I didn’t think of, “What settings do I want people to have? What options do I want to give people and what do I want those to look like? Do I want it to be a dropdown menu or do I want it to be a radio button?” There’s so many things that I would have been able to understand if I drew it out as opposed to just sent it in an email, so that’s another thing.

Then in terms of communication, we were communicating back and forth via email. There’s a lot of great tools that you can use out there to communicate with your team members, whether it’s a developer for an app or a software, or people on your team who are helping you with your information products or content or what have you.

The #1 recommended tool I can give you is Slack. It’s sort of like a chat room that allows you to create specific channels and also @reply people, similar to how you can on Twitter, and create private groups. It just allows you to segment your workload and what your team is doing into different projects or channels and to easily communicate on those particular topics within those channels, and then also go back into the archives and search for certain conversations. It just cuts out email so much.

I’ve converted Michael Hyatt into this software. I’ve converted so many people into Slack. I heard about it from the guys over at Fizzle, and it’s just been a huge game changer in terms of communication, so I recommend that for everybody. I actually have a great deal for you. If you go to smartpassiveincome.com/slack you’ll get \$100 free credit.



Let's continue the software talk. Another thing to worry about with software, and something that I quickly understood over time, was the fact that it can be very easy to feature-vomit, as they call it, on your applications. It's really easy to say, "Oh, it should have this feature, it should be this and this and this and this, and have all these different things in it."

Over time it just becomes this Frankenstein contraption that nobody knows how to use. It doesn't even do what you wanted it originally to do, because you had all these other ideas come in that on the surface and individually look great, but combined into this solution that you're providing for your audience or your target customer or your avatar just becomes a mess.

My recommendation to you is to start simple. Be simple, start simple. Focus on creating that one solution for that one problem, and then you can branch out from there.

There's an episode of the Smart Passive Income podcast that is the most downloaded episode of all time, and if you're getting into software I highly recommend you listen to it. Actually, I would demand that you listen to it. It's at smartpassiveincome.com/session46. This is Episode 46 of the Smart Passive Income podcast featuring Dane Maxwell, and in that episode he talks about how with no connections, from scratch, you can figure out what kinds of software to create.

This is the whole idea of figuring out who needs this software before you build it, instead of building it and trying to force people into. You are going to, through the teaching in this episode, learn how to 'idea extract.'

For instance, you might be calling different small businesses or even talking to them locally around your area, and you can ask them certain questions like, "What's something that you do every day that you absolutely hate doing? What's something that you dread doing that you have to do for your business? If you had a magic wand and could change something right now with no limits, what would it be?"

You keep going deeper and deeper asking, "Why do you feel this way?" or "What is it about that that you hate?" and you will discover certain software opportunities for you to create solutions for those people and those specific problems that they're telling you.

There's one example that he used in that episode, and that is of a building inspector. It was either him or one of his students had a chat with a building inspector, and he found out that the inspector did something every day, which was going to buildings,



taking pictures of certain parts of the building, and then would have to write reports on what those pictures were, to kind of put them into a portfolio for that particular building, to then ship it off to somebody who was going to grade it or whatever.

That was something he did every day, and he did that by taking a digital camera, taking a photo, then having to take that chip out, putting it into the computer, uploading it onto the computer, then dragging and dropping the file of the image onto a report page, where he then typed out the report there. It just became this huge process that took hours and he hated to do.

So this idea came out of that, which is a software. I think it's an iPad application that allows a person using a iPad to take pictures, which automatically gets placed into a template where then people can add the text that goes along with it, and with a couple pushes of a button have it be sent to whoever it needs to be sent to. This is something that building inspectors then pay a monthly recurring fee for to have access to, and happily want to do that.

Actually, along with the teaching in this episode, Dane also talks about how you're able to actually get this software developed kind of for free by having your target customers – these people who are helping you figure out what these ideas are – to actually pay you ahead of time, pre-pay. You're pre-selling this idea or the eventual creation of this idea from the customers who will eventually pay for it.

It's become this great, great episode that has helped so many people, so I recommend you check it out. It's again [Session 46](#) and it will walk you through the process of that. I don't want to go through the entire process here because we have a lot of other things to talk about, and again this is just an overview of all the different things that are involved with a lot of these things so that you can see which one resonates with you, and then you can go deeper into it if you'd like.

I do have a success story of my own in relation to software, coming off of my dreadful \$15,000 lesson, that I'm happy to share. I always share it as much as possible because I want to make the most of that \$15,000 loss and have it be a win for you to not make those same mistakes that I did. Hopefully I did that for you already in this episode, but I do have a win to share in regards to software.

I do have a software product out right now and it's doing really well. You can find it at SmartPodcastPlayer.com. This is for people who have a podcast who share their podcast on their website, which most podcasters do, and as most podcasters might know, there aren't many options out there in terms of creating a great listening



experience and having a good-looking player that has other functionalities other than a play button, a pause button, and a volume slider. That's what this particular piece of software does. It allows you to enhance that listener experience.

From my point of view, a lot of people listen the first time on your website. That's where they discover your podcast for the first time sometimes. It's not always through iTunes. Actually I found out that nearly 50% of my audience listens not on iTunes or through a subscription but for the first time on my website, and I think about the typical user experience with that. It's not that good and it doesn't allow people to get deeper into my episodes or listen to new ones or have them share those episodes or even capture them as a subscriber.

That's what my podcast player does, and again you can find that at SmartPodcastPlayer.com. I took what I learned from before and incorporated it into this. For one, this was actually something that I created for myself, and then after sharing it with others I learned that it was something that other people wanted too, so I had validated it before I actually turned it into something that could be distributed.

Since it was custom made for myself first it wasn't built in a way that I could distribute it and sell it. It was just easily built on my website. Then we spent a lot of time making sure it had features that people wanted, and also ripping out features that we had ideas for or other people had ideas for, and just narrowing it down to the ones that people wanted the most.

We talked a lot with beta users. We actually sold it first to a group of beta users, who got it for an early bird price to get people in slowly and to get feedback from them. Also we told them, "This is the beta version. You are champion users, charter users of this software, so there may be bugs."

We were prepping them ahead of time so that in case it did break they wouldn't be upset. They would know that that's a part of the process. "Let us know when those bugs happen," and there were bugs and we got them squashed, thanks to them.

Also they were great at giving us potential features for what we could put in there. It became a huge, huge asset for us to have that beta group, and we've now since incorporated a lot of their advice, strategies, and features into the software.

One of the favorite features is the speed control, so people on your website can listen to your podcast at 1 time speed, 1-1/2, 2, or 3 times speed. That's something that's not available on any other player and that was a request from a number of the different



users in that beta group. That's increased sales and that's been a favorite feature of a lot of users now.

This also currently has a recurring fee because with software you want to make sure that you have the resources available to keep customer service up-to-date and on top of things. That's one thing that I'm learning now with this successful software, one that I finally launched, is that customer service is extremely important.

It makes me wonder what would happen if that software that I built earlier, those WordPress plugins, were successful. How would I have handled customer service? Since then there's been hundreds of different versions of WordPress themes and WordPress itself that have come out. I would have had to update things over time, and how would I have been able to do that on my own? I wouldn't have.

I now have a customer service team that is helping manage the tickets that come in if there are any bugs, and we squash them as soon as possible. Things get answered right away and a lot of people have appreciated how good the customer service is for the [Smart Podcast Player](#).

If you want to email support for whatever reason, you can email support@smartpodcastplayer.com. Also check out SmartPodcastPlayer.com itself if you're interested in that particular plugin and tool to help you enhance the experience and just make your podcast look awesome on your website too.

Other lessons I learned is I took it a little bit slower, not just for validation purposes but for the development of it too. We definitely designed it before we created it also, just to see what it would look like before we actually put any code behind it.

We had Dustin, who's my awesome designer, create a wireframe of it in Photoshop so it looked very real, so real that you almost wanted to click on it, and that turned into what you see today on SmartPassiveIncome.com on the podcast and also on AskPat.com and several other websites around the web too. So that's that kind of software.

The last thing I want to share with you in terms of software is not necessarily software and not even something that you can necessarily do recurring payments for, but it is something that I know a lot of people are succeeding with and that is selling digital goods – not information but actually software that's a one-time fee.



A good example of this is my good buddy, Cole Joseph Humphreys, over at ColesClassroom.com. He teaches photography and he has a number of great success stories under his belt. He's been doing very well.

He came on the show a long time ago to talk about how a guest post actually that somebody posted on his site became the inspiration to create a course about that particular topic, and then it started his whole venture into online business and he's doing extremely well with his photography classes and stuff.

Another thing that's doing really well for him is his Lightroom plugins or Lightroom addons. I don't even know exactly what they're called, but there's a particular type of software that photographers use called Lightroom by Adobe, and there are certain plugins you can use to create almost these instant filters for you.

If you have a photo that you put on there, you can use certain people's presets that would then add a certain layer of stuff to make your photos look a certain way, a different style. He sells those, and those are different things that you just plug and play into that particular software.

I've purchased software from the guys over at CoverActionPro.com, which are essentially actions that you put in your Photoshop to create certain book covers, DVD covers and things like that in an automated 3D kind of way. Again it's not necessarily software in terms of an application, but it is a digital good that plugs into a particular piece of software that people can download.

I also had a niche site a long time ago that sold electronic versions of wedding invitations, PDF files of wedding invitations, so that was a digital good that people could download too. That made I think \$20 and was just purely experimental, but it was kind of cool to see that happen and it just took a day or two to set up. I've since let that one go because it was just kind of not going anywhere. There wasn't much search, but that's that.

As a reminder, I recommend if you're interested in getting into the software business, check out smartpassiveincome.com/session46. Also there's a great episode with Nathan Barry from ConvertKit.com who's created this SAS email service provider that I currently use. If you want to check out ConvertKit you can go to smartpassiveincome.com/convertkit. That's my affiliate link.

This is a very honest episode from Nathan in terms of his account of building the software and how long it's taken and where the inflection point is and what has



happened to have it become the success that it is today, so go ahead and check that out. It's [SPI 185](#).

So that's software.

Finally I want to talk about something that on the surface might not seem very passive, and that is coaching, one-on-one consultations, freelancing and that sort of thing. These are things that do require your time in order for you to make money, and when you stop you don't get to make any more money because you're not using your time.

Coaching, consulting and freelancing can be super rewarding. I've done each of those things and I enjoyed those things very much, but of course I'm trying to build a business that will work for me instead of me working for my business.

When you're just starting out, creating passive income is very difficult because a lot of times it might take an audience, which takes time to build. If you don't have that audience it's going to take a lot of networking and building relationships, which takes time too, or some cash to bring cold traffic to your website and your offer, so it's going to take those things to get started.

If you're looking for income sooner then I would recommend going the coaching, consulting, or freelancing route. This allows you to share your skills and have people pay to get access to you and what you have to offer them.

In particular, freelancing is something that's very smart because then you could work under somebody's wing, and if that person is in the same space that you're trying to get into or interested in, you can pick up a lot on the relationships that are in that space as somebody working for somebody who's in that arena. You can also get a lot of great advice and almost mentorship from that person along the way too, plus you'd be starting to work and focus in that space too.

If you're a writer, for example, who's working for somebody who's in the fitness space, you're going to be writing a lot of fitness stuff and you might be able to find your voice through that work, and then eventually create your own thing.

Although freelancing is trading time for money, you're investing time in your own education and in the skills that you have, and actually improving those skills and learning about that industry and building those relationships so that you can then potentially create something on your own too.



With that said, there are ways that you can make these things passive. The way to think about it is to productize these services. You have a service. You're doing something. You are creating designs, for example, for people, or you're doing writing for people, and there's a way to productize those services so that you are not the one doing those things.

They become not a thing where you work with each of these people individually, but people go to you, selecting from a series of packages or different products that you have to offer, where they get those same results but they go to you knowing that that's what they're going to get.

That might sound a little confusing but here's an example. Let's say you're a writer, like I was talking about earlier, and you typically work with people in the fitness industry. People hire you and you work with them and they work with you to figure out how many articles you write and what topics these things are about, and you have to negotiate with each of these different clients on how much your time is worth and all that stuff. Of course there's a lot of re-edits and all those things, and sometimes there's more, sometimes there's less.

When you productize that service, instead of working with each of those clients one-on-one and negotiating different deals with each of them, it's more like, "Here's what I offer. I will give you 10 articles per month, and each of those articles will have 2 re-edits max. That will cost you \$2000," and that's it. You're telling them what they're going to get.

Maybe they would pay more for more re-edits or more articles, or pay less for less articles and no re-edits and that sort of thing, but you are essentially taking your services and turning those things into a product.

That's just one example, but there's a number of different examples that are mentioned in a previous podcast episode that features Brian Casel, who came on the show to blow people's minds and talk about productizing a service-based business. That is SPI 158, which is called "How to Productize Your Service-Based Business." He actually gives you a cheat sheet and he talks about his own examples, coming from somebody who was doing design before. It's a really, really smart way to approach it.

You might be wondering, "Well, you're still writing those articles." He talks a lot about having other people work under you to create those things that you then deliver as deliverables to your clients, customers, or people you're doing freelance work for. It's



productizing your service in terms of the packaging, but also having people on your team to help create those things for you too.

This is something that I've had to learn how to do, not productizing my service but just building a team. Over the past couple years I've just seen massive, massive results, 10X'ing a whole bunch of processes in my business, and I give credit to my team for helping to do that.

Again, I recommend that podcast episode if you have or are thinking about getting into some sort of service-based business at first, or maybe you're in that now and you're trying to get out, or you're looking to make money sooner rather than later with coaching, consulting, or freelancing and that sort of thing. Check out this podcast episode. It's going to help you quite a bit – smartpassiveincome.com/session158.

We have come to the end of this series of podcast episodes that are helping you understand what your options are and what things you can do. There's a lot of methods, strategies, tactics, and even business models that you can use to generate an income online and build your passive income empire and start to experience financial freedom in that way, but at the core of what makes a business successful and what allows you to generate an income online is the fact that you are serving a particular audience.

You're picking a niche and helping them solve their problems. That's what a business is. It's a solution to a particular problem, and the better you can understand what that problem is, the better you can understand what your target audience is going through, the better your solutions will be and the better your results will be too.

Your earnings are a byproduct of how well you serve your audience. I truly believe that, I practice that, I teach that, and I pass that down to you, and hopefully you will incorporate that into your business too.

I want to commend you for getting through these three episodes. Maybe this is the first one you listened to. If it is, I recommend you listen to the other two in this series, SPI-192 and SPI-193.

If you want to get the show notes, if you want to leave a comment, if you want to just say thanks, or if you have any comments about this series or this particular episode, just leave a comment over at smartpassiveincome.com/session194.



All I can say is thank you, and I look forward to serving you in the next episode of the Smart Passive Income podcast. Thank you so much.

Outro: Thanks for listening to the Smart Passive Income podcast at www.SmartPassiveIncome.com.

Links and Resources Mentioned in This Episode:

[Smart Passive Income Podcast Episode 192:](#) Types of Passive Income Generated Online and What to Expect from Each – Part 1

[Smart Passive Income Podcast Episode 193:](#) Types of Passive Income Generated Online and What to Expect from Each – Part 2

[WP Wishlist](#)

[Zippy Courses](#)

[Teachable](#)

[Internet Business Mastery Academy](#)

[BuddyPress](#)

[Vanilla Forums](#)

[Fizzle.co](#)

[Slack](#)

[Smart Passive Income Podcast Episode 46:](#) Building a Lucrative Business with No Ideas, No Expertise & No Money with Dane Maxwell

[Smart Podcast Player](#)

[ColesClassroom.com](#)

[CoverActionPro.com](#)

[ConvertKit](#)

[Smart Passive Income Podcast Episode 185:](#) Solving a Problem by Building It Yourself – The Story Behind ConvertKit with Nathan Barry

[Smart Passive Income Podcast Episode 158:](#) How to Productize Your Service-Based Business