

5 Essential Questions to Ask Yourself Before Buying an Online Business

Many people are drawn to the allure of entrepreneurship, but it pays to know what you're doing before you make the leap.

At some point, some of us may have fantasized about being an entrepreneur and owning a business. The thought of having complete and total control over your schedule and becoming the CEO of your own company is a dream come true – yet there are critical steps to take along the way in order to succeed.

To become a CEO, it's about more than just money – it's about building a career and a company from the ground up, and this requires skill, commitment, time management and hustle.

With ecommerce growing 40% in the last 12 months with no signs of losing steam, now is the time to jump into online-business ownership.

Thinking about changing your career path and taking the leap into online entrepreneurship? Here's what you need to ask yourself first.

1. Are you fit to buy an online business?

Depending on the type of online-business venture you choose, it may mean plenty of trial and error before gaining successful momentum.

You may need a team to support operations, so it's important to take into account the skills you need to effectively manage a team and clients.

Any successful business owner will tell you that forming strong relationships with your employees is important. Creating a safe place for employees to enjoy a work-life balance and feel emboldened to share ideas, concerns and needs is what keeps a company's system strong and sustainable.

Pinpoint areas where you can nurture and grow. This may look like taking courses on team management, attending a team collaborative retreat or learning how to perform better on your own away from corporate life and without constantly relying on others.

2. Do you want to build or acquire an online business?

Compared to starting a brick-and-mortar business, creating an online business can be convenient.

Without being restricted to a physical space, you can work from anywhere and don't have to worry about lengthy commutes, spending money on leasing an office space and other overheads such as security, workplace health and safety, and property and casualty insurance.

Whether you're starting your online business from scratch or acquiring an existing one, the decision is yours to make. Whatever path to entrepreneurship you choose, make sure you fully weigh the benefits and potential downfalls of each.

Having complete ownership of the creation stage of your online business can be exciting, and there's this idea of nurturing your "baby" from the ground up and seeing your hard work pay off.

However, it's important to be aware of startup hefty costs like legal fees, SEO optimizations, cyber security, web-design services and more.

Unlike starting an online business from scratch, purchasing an existing one can come with an already-established brand with access to customers who love the company and customer service.

You don't have to build your followers from the ground up, and your responsibility after acquisition will be to sustain your online business and find new strategies to increase growth. If done well, a company that has been running for a while has a strong brand reputation whereas starting a new business will require time and hard work to build a brand.

If you're purchasing an existing business, it's important to be realistic about how much time you'll be spending on the business, whether or not it aligns with your interests and passion, and if you have the funds to invest in the company.

3. What kind of online business is the right one for you?

From content sites and ecommerce stores to SaaS and apps, there are many types of online assets you can choose from.

A popular ecommerce model like Amazon FBA allows your products to be stored at a warehouse, packaged and delivered to your customers.

There are plenty of preexisting ecommerce businesses like Shopify sites and drop-shipping companies that can also be bought.

The good news is that you don't need to purchase a physical space to buy and manage your inventory. However, it's important to keep in mind that any mishandling of supplier agreement can hinder business operations and cause friction between you and your customers. The ecommerce industry is a highly saturated marketplace, so it's important to sell niche products at competitive prices to stand out from your competitors.

Blogs are a great way to connect with your audience in any subject matter. Through programs like AdSense and affiliate marketing, you can successfully gain monetization through consistent, high-quality engaging content. If you're purchasing a pre-existing site, find opportunities to optimize its content for a speedy return in investment.

SaaS, also known as "software as a service," is a rapidly scalable industry. You can sell products like project-management software, emailing marketing and CRM software.

However, it's important to note that maintenance costs can be extremely high, and you need a high level of technical expertise and knowledge to successfully run the business. It's important to keep in mind that a SaaS business only works when there's an ongoing need for your service as the cost of customer churn can be very high.

Like SaaS, the cost of creating an app is high and requires compatibility on all platforms while keeping up with technological updates. However, it can be an extremely lucrative business that can generate a steady source of revenue.

4. Have you thoroughly performed your due diligence?

If you're purchasing an established online business, make sure to conduct an in-depth analysis of financial history, legal documents, marketing strategy, website traffic and business operations.

For example, if you're acquiring an already-established blog, you want to verify if the site's traffic is paid or organic.

Obtain proof of at least 12 months worth of revenue and expenses. This is an opportunity to speak with the seller about the asset's financial history and assess your appetite for risk. Think of it like a resume: You may want to ask questions about any gaps, dips or financial spikes.

There are many ways you can perform your due diligence when purchasing an online business.

Preferably, tap into experts. There are some fees that come along with hiring someone to assist you in the due diligence process; however, you'll feel more comfortable in your purchasing decision knowing that you have an expert to guide you. Also, it'll save you money in the long run if you pinpoint any blindspots in the initial stages of acquisition.

If you're using a platform like [Flippa](#) to purchase an existing asset, look for listings that are rich in detail with access to traffic data, financial reporting and where there's clearly other buyer interest – that's generally a sign of a high-quality asset.

Understand what the business needs to keep functioning. Speak to each person that's a part of the organization and understand each team member's job responsibilities.

Ask the business owner about any essential operations, key personnel or vendors needed to keep the business growing and running.

If there are any binding legal contracts, make sure you read each document carefully and understand its terms and agreements.

5. Do you have the time and funds to invest in performance and growth?

Online businesses require effective time management beyond the initial capital needed to invest in an online asset. Many businesses will require very little upkeep, but it's important to set aside the time in the beginning to understand the business.

It's important to look for assets that match your goals. Ask yourself if you're looking to supplement your income, replace it or go on to build a big business.

Factor in any costs like the essential training needed to grow and sustain a team, maintenance costs or paid marketing.

Allot the necessary amount of time you're willing to spend on your business throughout the day and consider the demands of your day-to-day responsibilities. Think about time-zone differences between you, your suppliers and customers that need to be taken into consideration for questions, customer service or shipping.

With the right guidance, owning an online business can be rewarding. Successful entrepreneurship may require a lot of planning and a concrete strategy, but once executed, it's worth the journey.