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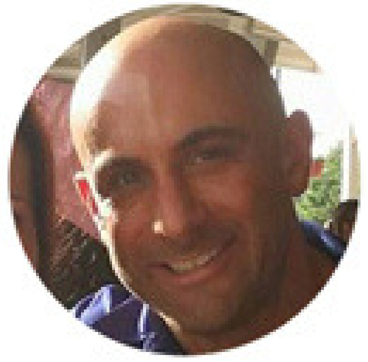

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Things To Consider When Buying An Internet Business

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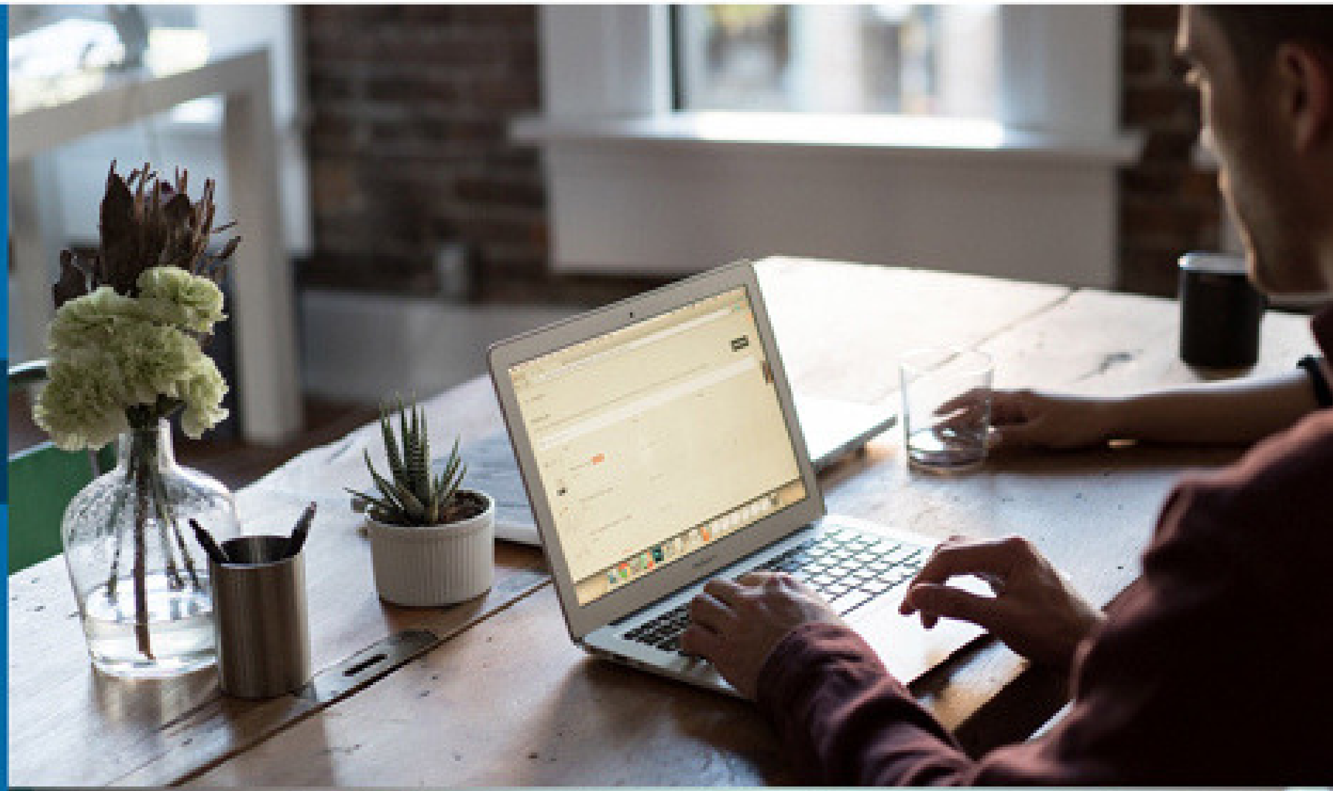
Things To Consider When Buying An Internet Business

If you're looking at **buying an existing internet business**, there are certain things you'll want to consider. These will help you get a **good deal** and **better certainty of good returns on your investment**.

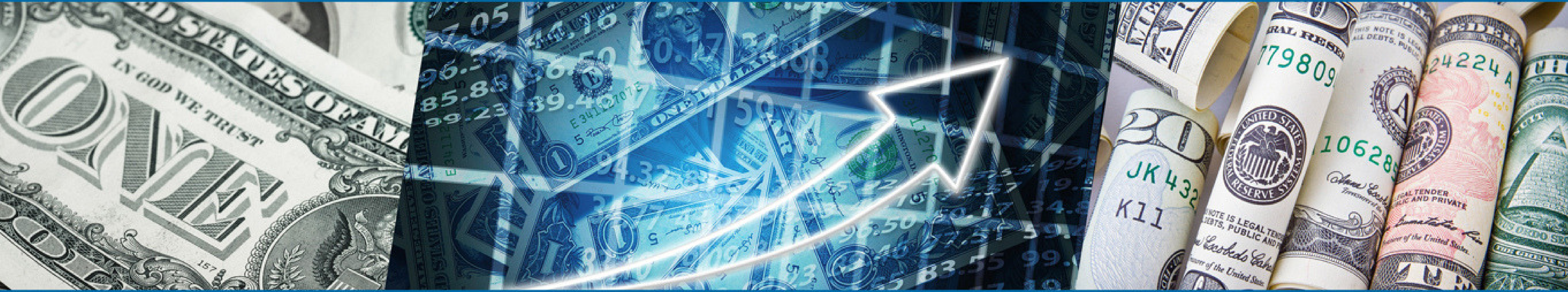
Buying as an investor

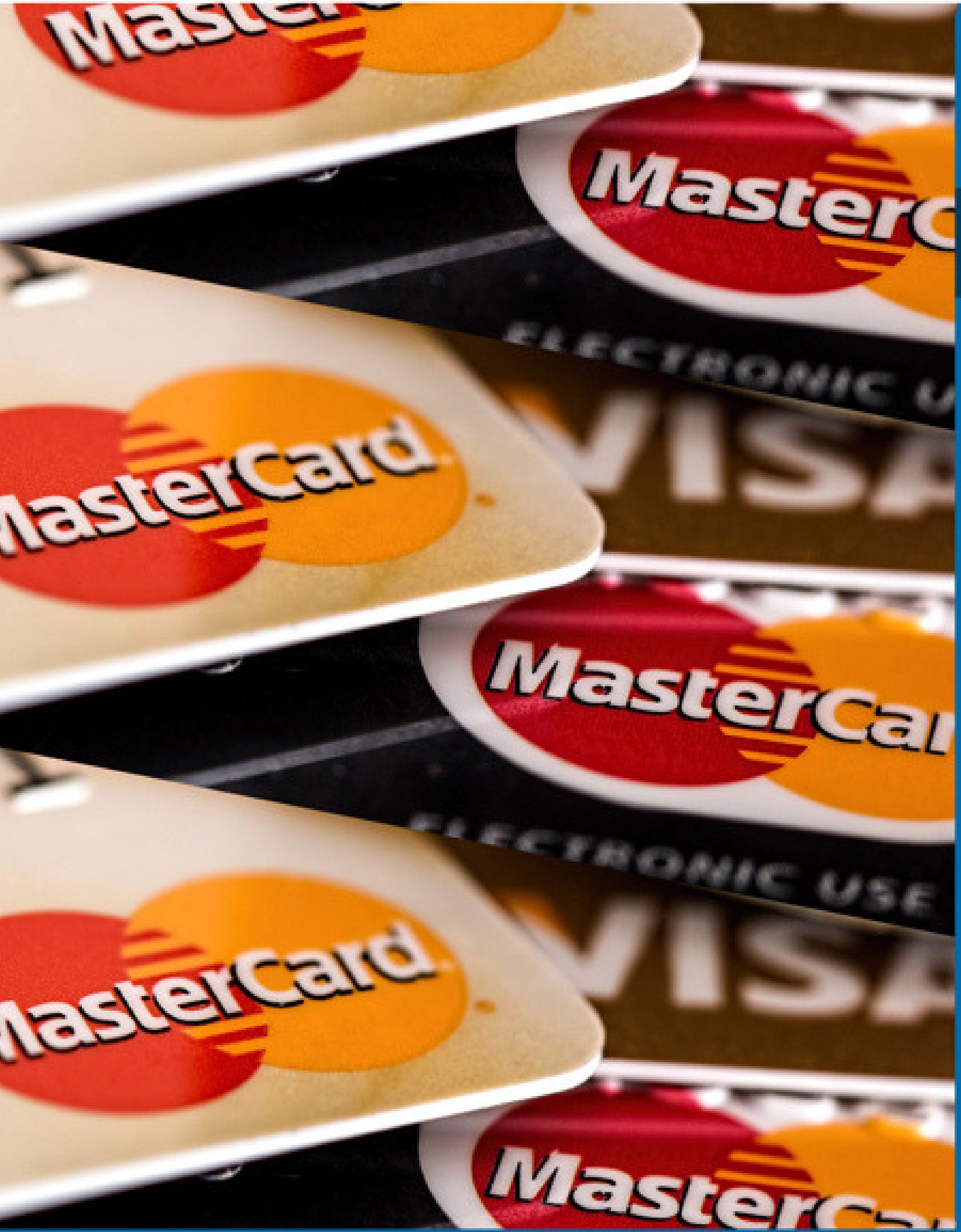
Many buyers actually look to **invest in a business** and either **have the current otwner keep running it**, or **have someone else come in and run it**, with the current owner working with them to make that happen.



Profit margin

A **high profit margin** can certainly make a business an appealing prospect. Some e-commerce businesses range in the 20 to 30 percent range, while some SaaS (Software as a Service) businesses might boast as high as 80 percent.





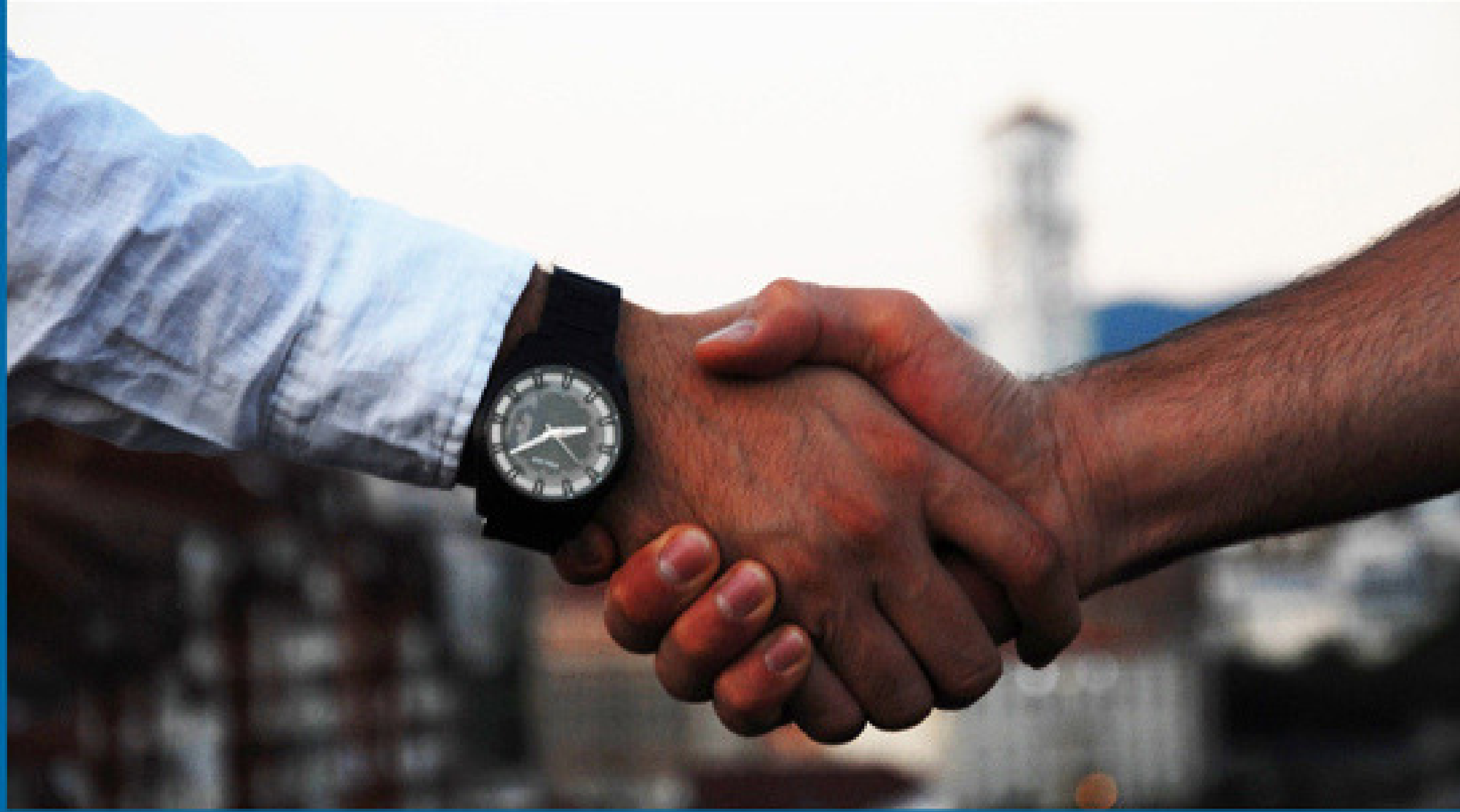
Is it recurring?

Any business that has a **recurring revenue** is likely to find a buyer, and with good reason. Expect though to pay more. B2B SaaS businesses with recurring revenue get some of the highest multiples, i.e. seven to eight times the core profit. Compare that to e-commerce businesses which sell for somewhere between two to three and a half times their yearly profit.

Defensibility

One of the things you may want to look at in a prospective buy is **whether its products and brand are protected from competition**. Do they have **patents**? **Trademarks**?

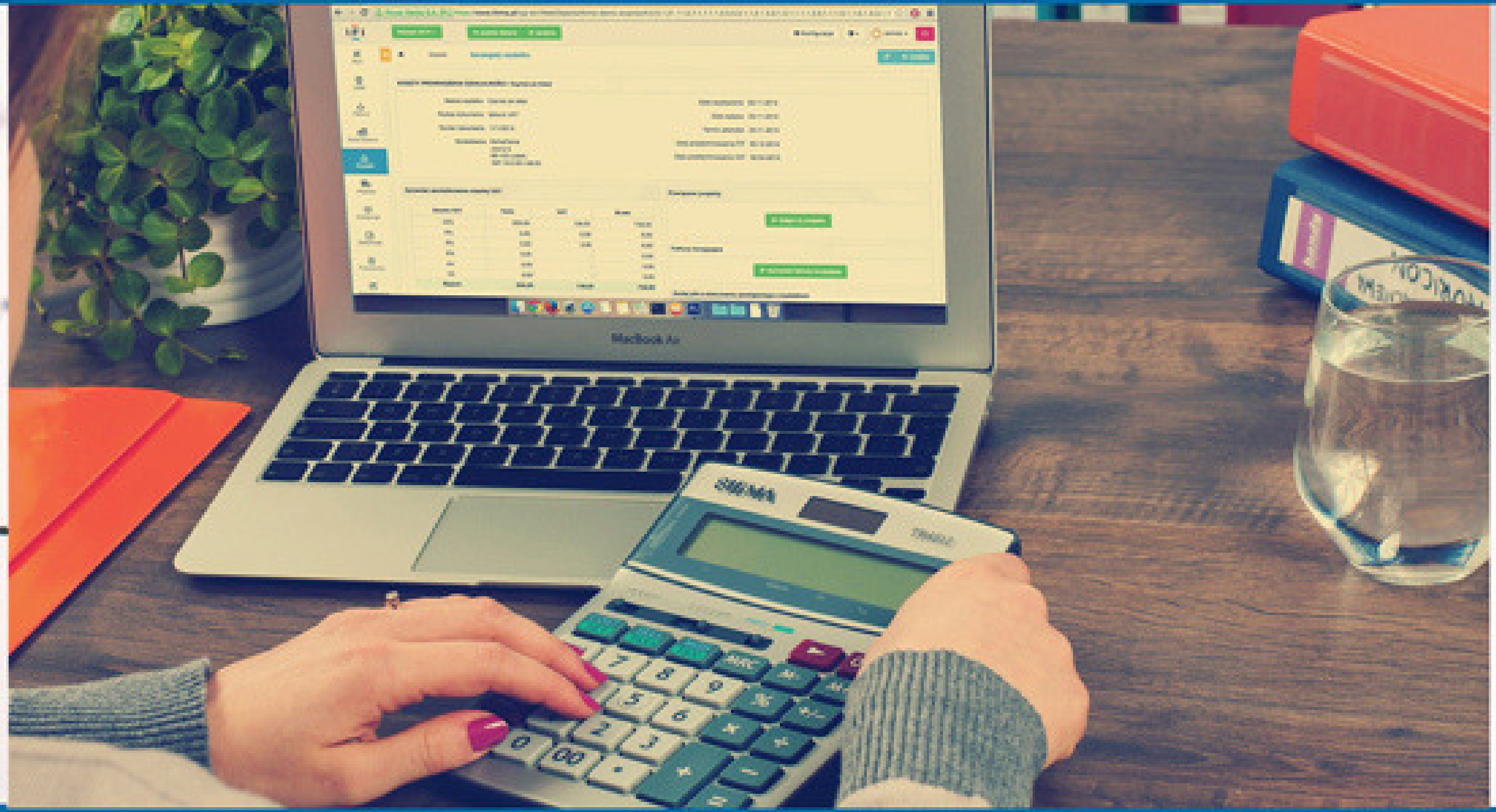
Sophisticated agreements



Does the company have any **product licensing agreements**? **Supplier agreements**? (This is especially applicable to e-commerce businesses.) Any **sales channel type exclusive agreements** that they can pass on to you?

Documentation

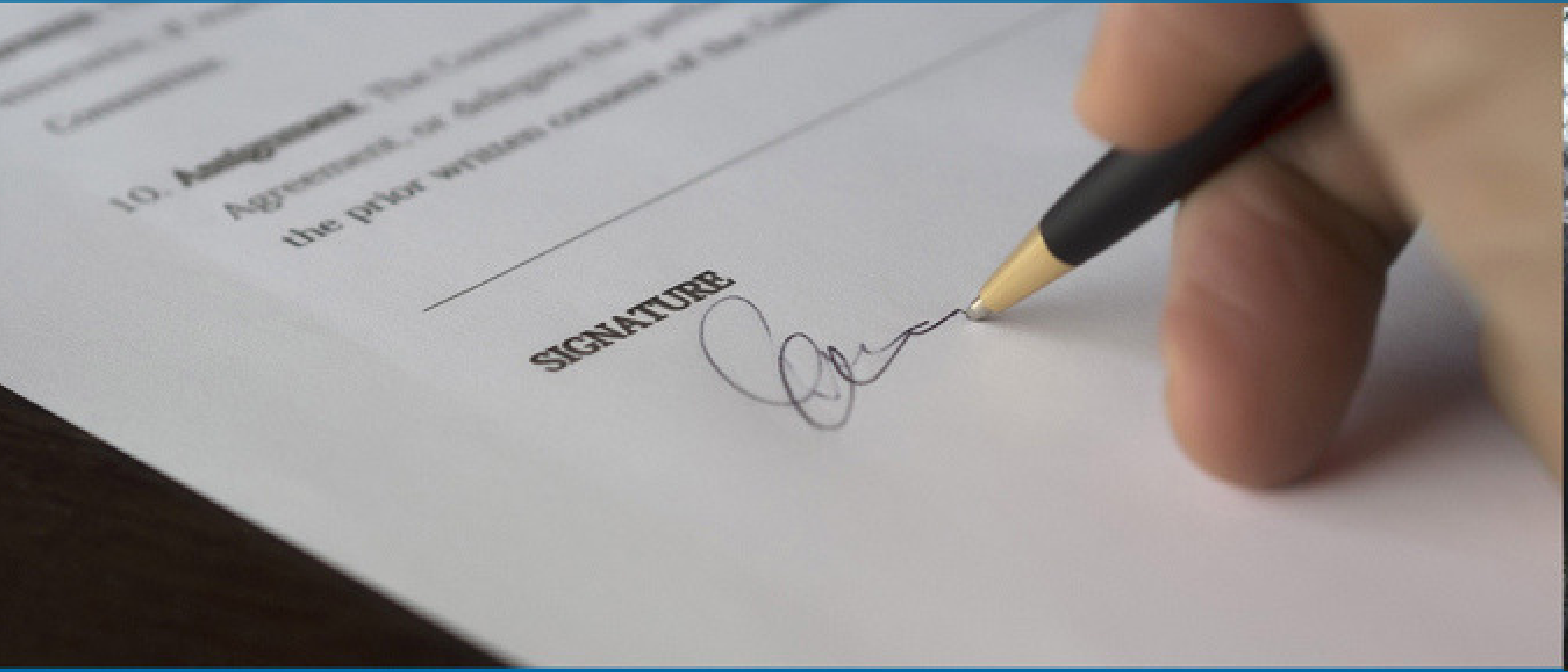
A smooth-running business will have its procedures, tools and information resources well-documented. Look for SOPs or a wiki, and an asset register that the current owner can turn over to you. An org chart listing the staff and their roles, as well as job descriptions, would be a good thing to have.



Assets, or entity?

Decide your intent in buying the business. Many buyers with existing businesses would rather **buy assets and move the assets across from one entity to another** than to **take on the potential risk of getting involved with some foreign entity**.

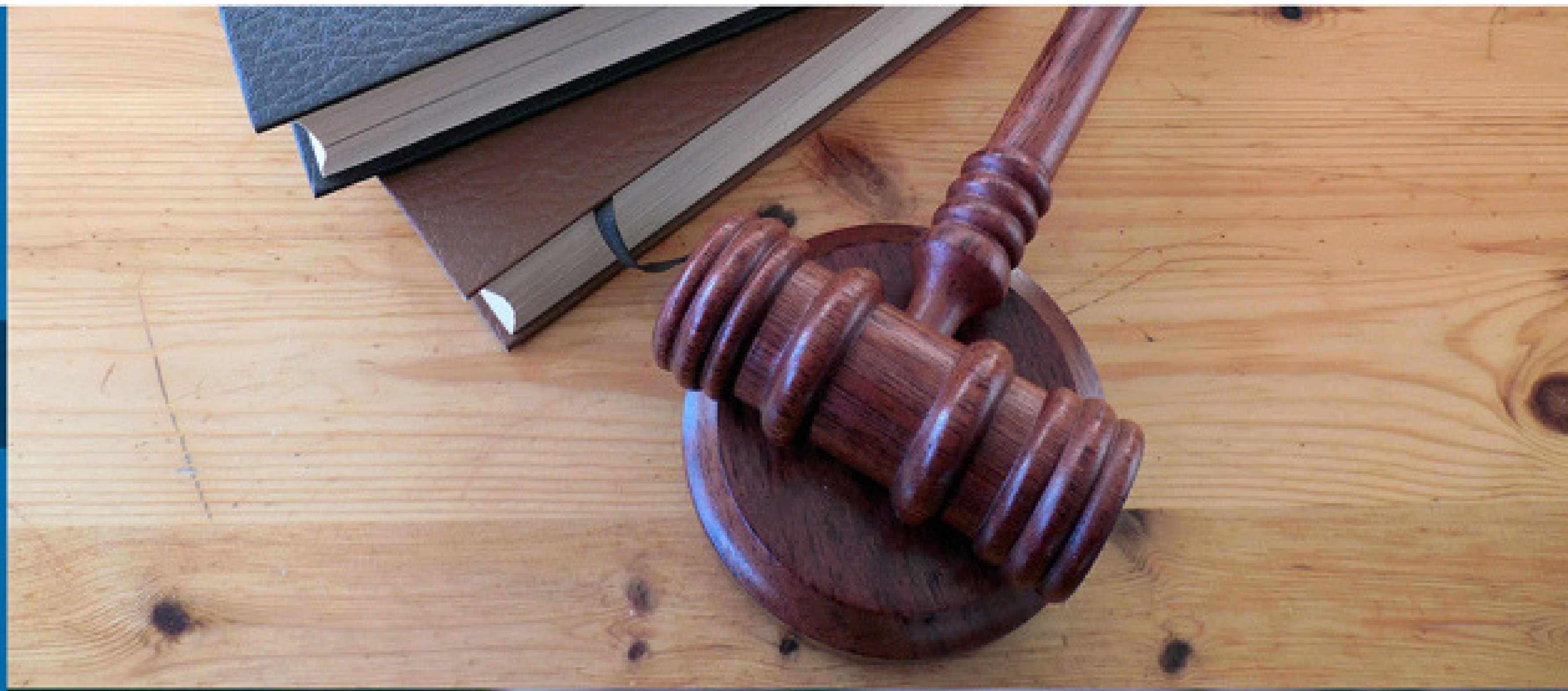
Creative deals

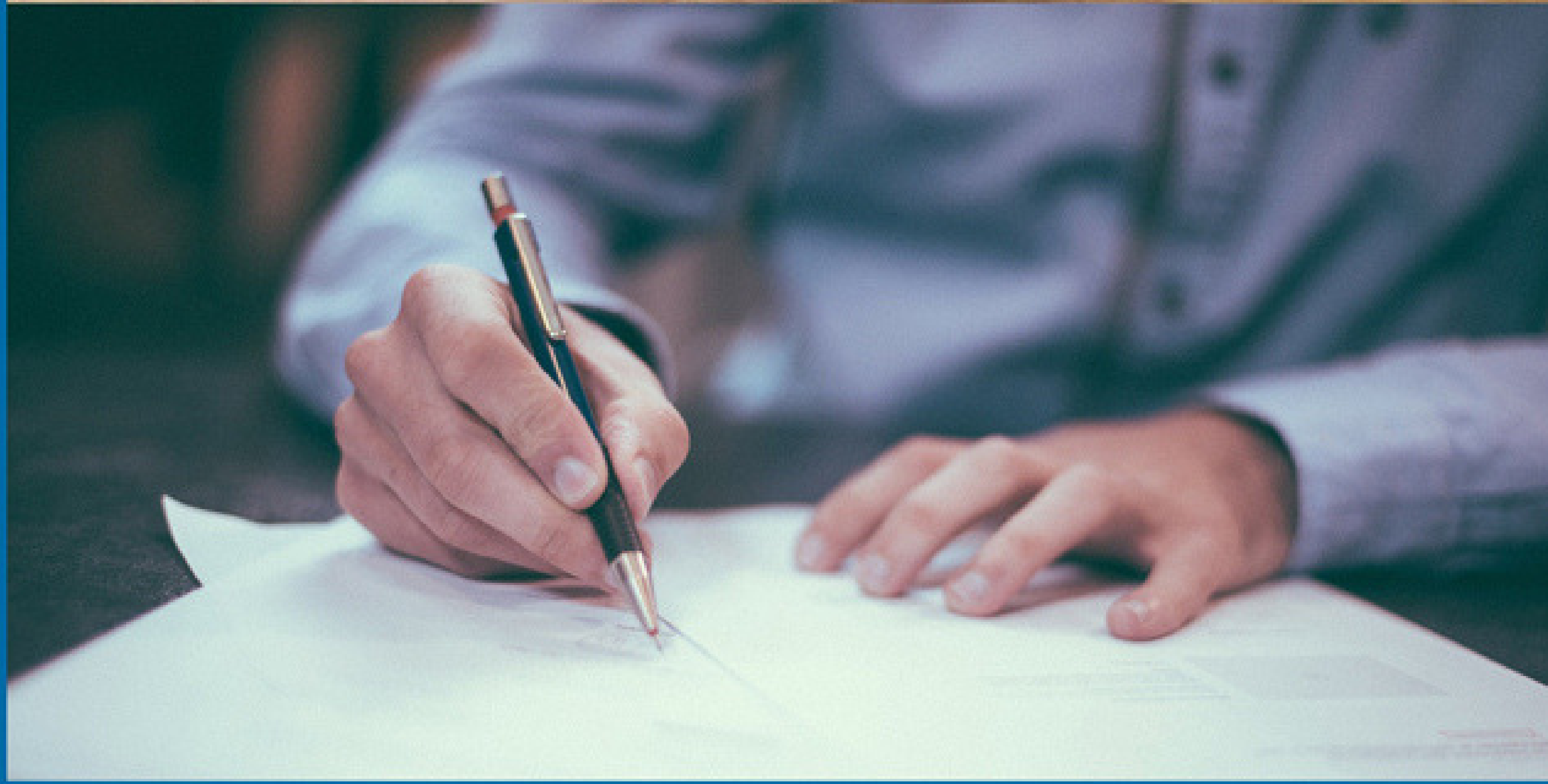


Business acquisitions paid 100 percent in cash are actually less common these days than **hybrid deals**. An e-commerce deal, for example, might be part cash and part backend money for profit sharing, where the owners need some time to transfer specialized knowledge in a niche market, so the new owner decides to work with them to roll out product and use their insider knowledge. **Know what your desired end game is** and then **look for the right business and seller** to achieve it.

Get legal help

Purchasing a business is a big transaction, so it's a good idea to **have the services of an attorney**, especially when drawing up or reviewing the contract and legal agreements.





Beware of single-source dependency

A business **consistently acquiring new leads and customers from multiple traffic sources** is logically a better buy than one dependent on a single source of traffic.

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