

3 things to keep in mind if you're buying an ecommerce business

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Purchasing any business is a major investment. Buying an ecommerce business, however, gives you opportunities brick-and-mortar businesses do not.

With ecommerce, you get to enjoy a larger market, easier analysis of user metrics, lower costs, and the ability to scale more efficiently. You also deal with less overhead, physical office space and product shelf space.

Here are a few things to cross off the list when on the hunt for an ecommerce business:

Do Due Diligence and Thorough Research

With an ecommerce business, your upfront investment could be quite significant, depending on the size of the business you want to buy. Before you part with a large sum of money, you're going to want to ensure you're making a good investment. Due diligence is particularly important with internet and consumer trends always changing.

But what exactly should you look for when you're thinking about buying an ecommerce business?

First, determine whether sales are sustainable. Is the product going to be around for a while, or is there a danger of the product trending down? It's important to look at year-over-year growth, and consider seasonality of the product.

Finding out why the business is for sale is also vital. Research reviews, media stories and financials. Talk with analysts.

You will also want to look into traffic trends, as well as where that traffic is coming from. Use a reputable service such as Google Analytics to allow you to see how traffic is coming onto the website. Check for various trends in each source of traffic, and then look at them each from a weekly, monthly and yearly standpoint.

Whenever you're thinking about buying an ecommerce business, make sure that you're going through the customer lists, identifying their level of engagement, and looking at how well their needs are being taken care of by the current business owners.

Explore everything from how many visitors return to the online store more than once to how many positive reviews the store has generated on online forums such as Yelp or Quora.

When you're reasonably satisfied you have done your due diligence, you can either buy the business on your own or hire a broker to facilitate the process.

Take the Seller's Point of View

Most sellers overvalue their business because they are attached to it.

Examine the information packet you receive along with the non-disclosure agreement if you are going through internet marketplaces. Expect to find a personal synopsis of the listing by the owner or broker.

Ask about anything and everything that you see going on with the site. Find out if the current owner manages customer service and stock inventory, optimizes the website, manages social media, and sends out email newsletters themselves, or if staff or a third-party contractor is involved.

If the owner does it themselves, find out how many hours per week they are devoting to the business. How much extra time can you afford to invest? What skills will you need in order to pick up where the current owner leaves off? He or she may be able to teach you these skills during the sales process.

Consider costs as well, especially if you find you will be needing to outsource some tasks.

Don't stop there. Do more research or ask directly to find out how often the owners update the website's blog. How responsive is their live chat (if they have one)? Are they managing their own advertising?

If you find it difficult to get a sense, seek out other knowledge banks to learn about the business and how the sellers have handled things, along with what you will need to learn to run the business after you buy.

Find out the amount of products the current owners are adding to their inventory every month, as well as how many they typically plan on removing. Check how many suppliers they currently have, as well as how much stock they maintain.

Think about Opportunities for Improvement

An ecommerce purchase is at best a lateral move if you can't scale and improve upon it, so keep in mind that you want to buy a business that you can improve upon, whether for future sale or a long-term investment.

Chances are it may need improvement. But with the right skills and know-how, you may be able to turn it around and make it into a more viable business property. Even more helpful is possessing a skill the seller might not have, like understanding Facebook marketing or managing inventory churn.

Talk to the suppliers and see if there are opportunities to lower the cost of goods sold - increasing your net profit, or if they would offer future discounts.

Building rapport will go a long way in addition to exploring potential opportunities for improvement.

Consider the design of the website. Are sales great but the look of the website is a mess? That's nothing to celebrate, but it is an opportunity for you to be able to increase sales and value after the deed is in your hands.

Consider whether business costs could be lowered or eliminated. Take a look at the current state of the company's search engine optimization. Could you improve it without much effort? Other important questions to ask: Are there underperforming SKUs you could replace with better ones? Does the business lend itself to a subscribe-and-save model?

If any of these things are possible, that means opportunities for scaling an ecommerce business after you make a purchase are existent.

In Closing

Buying an ecommerce business is a growing business property, and there is an expanding pool of hungry buyers out there. Stay ahead of the pack. Make sure you do a thorough assessment, do your due diligence, consider the seller's side of things, and look at whether or

not you could make improvements.

If you keep all these things in mind, you can't go wrong (or at least you have a better chance of getting it right).

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