

JAMES SCHRAMKO

14 Considerations for Building a Portfolio of Online Businesses

- 1. Motivation behind the sale:** Understand the reasons behind the sale. Some sellers might be looking for capital for another venture, are bored with the current business, or may be ending their business tenure. This can influence the selling price.
- 2. Understanding the business model:** Ensure you comprehend the model of the business you're buying. Avoid businesses with complex technology if you're not tech-savvy.
- 3. Technical support:** Determine if you need a technical team to support the business. Some businesses may require minimal tech knowledge, while others may demand expert-level tech support.
- 4. Financial considerations:**
 - * **Initial investment:** Understand the cash requirements to purchase a business. Ensure you can afford the investment without overextending yourself.
 - * **Payment methods:** Decide on whether you'll be paying in cash, which can give you better negotiation leverage, or if you'll be opting for vendor financing.
 - * **Pricing:** On average, the asking price for online businesses is around three times their annual net profit. However, the final deal prices can be negotiable.
- 5. Management approach:** Decide whether you will be hands-on in managing the business or if you will be a total investor. Understand the pros and cons of both.
- 6. Risk mitigation:** Ensure due diligence and conduct a thorough assessment of the business before purchasing. Avoid businesses that might have hidden pitfalls or are too new without a proven track record. Consider using platforms that vet listings for reduced risks.
- 7. Passion and authenticity:** Invest in areas you're passionate about as this can aid in spotting growth opportunities and ensures you maintain interest in its growth.

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- 8. Diversification:** To safeguard your investments, consider buying multiple smaller businesses across various platforms and channels instead of one large one, for diversified income streams. This ensures that a problem in one area doesn't jeopardize your entire portfolio.
- 9. Operational efficiency:** Consider economies of scale and streamline operations for consistency and efficiency across businesses.
- 10. Learning and growth:** Stay updated on industry trends and invest in learning. The digital landscape evolves quickly, and staying informed is crucial.
- 11. Marketing strategy:** Understand which marketing strategies work best for the specific business. This could include email lists, SEO, newsletters, or social media marketing.
- 12. Platform navigation:** Be aware of platform rules, especially if considering purchasing accounts or user positions on platforms like Facebook, Amazon, or YouTube.
- 13. Building relationships:** Cultivate strong rapport with sellers and maintain positive relationships for smooth transitions.
- 14. Educational resources:** Utilize platforms and resources that teach the ins and outs of investing in online businesses.

Looking to build your own business portfolio? Check out [Sophie Howard's training](#)

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