

Considering Buying a Business?

Starting or buying your own business can be a complicated procedure. The advantages of buying an existing business are: a proven track record, a reputation and name recognition, existing customers and an income beginning the 1st day. Existing businesses provide a safety net during the initial years of ownership. You must decide if a specific business is right for you. If you are strong at organizational skills you may find a bargain in buying a business that needs structure but has the potential to grow quickly. If you love working with people or teaching but know you are weaker in creating business systems, you will need to buy a business that has strong systems in place or have 3rd Level Consulting walk you through the business organizational process during the initial year or two.

Importance of Information: Understand that in looking at small businesses, you or your broker will have to dig out a lot of information. Does the business have strong systems? Is there a successful marketing plan in place? Is the current lease assumable? Do the Demographics indicate continued growth? A critical factor to consider will the business be able to pay the debt (loan) on the purchase of the business and be able to provide a living wage and/or a return on your investment.

Valuations: A Professional Valuation will give you an understanding of the real value of the business and how much you can expect to make once you purchase the business. You will probably not buy many businesses so it is important not to overpay. 3rd Level is a specialist in valuing Children's Fitness and Learning Opportunity Centers, such as Gymnastics, Dance, Swimming, Martial Arts, Cheerleading, Child Care and Education.

Negotiating the Deal: There are many things to negotiate in buying a business: Price, Terms, Training, Leases, Date of Closing, etc. You need to consider the needs of the seller. For a deal to be made both sides need to win. Establishing a good relationship with the seller is critical because buyers usually don't sell to people they don't like. Also, you will be relying on the seller to show you all the ins and outs of his business which will keep the business running smoothly during the transition of owners. A Business Broker can help avoid conflicts during the negotiation process and help keep the process moving. In addition, most Business Brokers are trained negotiators.

It's all right to negotiate on areas that are important to you, but don't negotiate over a detail that really isn't key. Many sales fall apart because either the buyer or the seller becomes stubborn, usually over some minor detail, and refuses to bend. One strategy is to have many items to negotiate and give in on the items that are not important to gain a concession on the one that is really important to you. Once all points are negotiated, it is time to draw up the documents. A Business brokers may provide standard documents or templates. It is usually much cheaper to have your attorney review and correct a template than to draw up a document from scratch.

Due Diligence: Once an agreement has been reached on selling price and terms, it is time for the due diligence. Normally, the business information has been provided by the seller. The business broker relies on the seller to provide honest and accurate information. It is your responsibility to conduct the due diligence. Verify the information you have been given. This would be the time to consult your lawyer, accountant and other advisors. You should have an attorney that is a deal maker, not a deal breaker. If you are serious about buying a business, you need to be willing to be the one making the decision. Many professionals will give conservative advice. They will answer your questions but will not recommend you buy the business – they do not want the responsibility if something goes wrong.

Financing: Most small businesses sell with some, if not 100%, owner financing. Larger businesses may be eligible for bank or an SBA government backed loan. For bank financing, expect to have good credit, collateral, and experience in the type of business you are buying.