Positive Points on Buying an Existing Business

Buying an existing business requires detailed study to dig out the facts you need to make up your mind to buy or not to buy. To evaluate the potential of the on-going business, your investigation should follow essentially the same pattern you'd use if you were starting a new business.

Careful study and investigation of the business have these important key points such as: raise important questions you may not otherwise hit upon on the few days of visit to the company; be able to know how to analyze significant factors in the operation of the business; and to make the necessary projections in marketing and financial planning to estimate future earnings of the business.

You'll find that the potential earning power of the business will be very likely be the pivotal factor in your decision to buy – and in your decision about the price you would be willing to pay.

Some significant advantages in buying a business are as follows:

Reduced risks. Buying a business that is already successful is less risky than starting a new one from scratch. The firm already has a proven market segment with an established clientele. Management has established sound relations with bankers, suppliers, and customers. If location is important, the business should show by its record that the location is satisfactory. A usable inventory will be very likely be on hand. And acquiring some experienced and expert employees with the purchase of the business is not uncommon. All these advantages tend to reduce the risks encountered in starting a new business.

Faster profits. The successful business will relatively have returns to your investments at a much faster rate than that of a new business. As the buyer, you do not have to struggle through the problems of building the business from the start. If you will recall, most new businesses don't bring in enough money during the first year or so to pay the owner a reasonable salary, if any at all. Your going concern in fact is whether you can pay the salary of the employees right from the start f you make the transition to ownership smoothly.

Easier planning. Financial and market planning are much easier for the going concern than for the new business venture. Historical records afford a much firmer basis for projecting financial and marketing data than the information gathered in planning for a new venture. Knowing the strengths and weaknesses of the existing company, you would be able to build on the strengths and overcome the weaknesses. You can use a technique called market/product-service matrix. For example, you could plan to improve the existing bookmark printing company if it's the business you just bought. You could create custom bookmarks if the bookmark printing company doesn't have it yet for further penetration of existing markets. Also, try to expand or invent new ones. There are also strategies you can study that will help you identify the point of your existing product or service in its life cycle, so you can judge when to launch the new product or service.

One financial transaction. The new business venture usually takes more than one financial transaction before it becomes capitalized, well launched, and stabilized. Buying the going concern, however, can ordinarily be accomplished in one transaction. Once you are able to accomplish this, you can then focus on marketing and delivering the product or service; your energies are more focused and you can manage more effectively so you can achieve the profit you are after.

About the Author

Troy Duff works as a businessman and currently runs a printing company that offers custom bookmarks, banners, magazines, flyers, door hangers, catalogs, table tents, presentation folders, bookmark printing, custom printer and other printed ads.