

## **Knowledge is Power**

**JoAnn Lombardi, VR Business Brokers/Mergers & Acquisitions, President**

### **The Advantages of Self-Educating Whether Buying or Selling**

As any VR business intermediary will tell you, buying a business gives you a greater chance of success than starting one from scratch. 80% of new businesses fail in the first three years due to factors such as poor location, low product quality, under-capitalization and lack of management skills. Buying an established business will provide you with a stable location and an existing customer base and product.



**JoAnn Lombardi, President**

### **As A Prospective Buyer**

When you decide to look for an existing business, you have to find one with the potential to grow. By acquiring an ongoing concern, you have the opportunity to increase your profits; therefore, increase the value of what you have bought. Most business owners will be willing to train you in the daily operations of the business. This will increase your chances of long-term success over starting a business from scratch.

The process of buying a business can be surprisingly simple when you use a VR Business Sales Intermediary. We can help reduce the time it normally takes to complete a transaction as well as the risk for all parties involved.

### **How VR Business Sales Can Help**

In order to pursue your dream of owning a business, you need to understand the process involved in buying one. Our VR Business Intermediaries can assist you to help obtain a complete understanding of the process. Here at VR Business Sales, we will match you with a business per your interests, needs and goals. We will find the business within your selected price range. We assist you in every aspect of the purchasing process – gross sales, rent, terms of purchase, etc. Your VR Intermediary will arrange a meeting between you and the Seller to discuss how the business operates.

### **Negotiating an Offer**

If you like the business, the next step involves writing and presenting the offer by your VR Business Intermediary. This will be the stage your VR Business Intermediary will share your background information and pertinent financial history with the Seller – your industry experience and how you arrived at the offering price, terms and conditions. The Seller will either accept the offer or submit a counter offer to the VR Business Intermediary to present to you. Once you've agreed to terms with the Seller, you will be allowed to inspect the financial records of the business to determine if everything is in order. If all of your questions have been answered per the contingencies in the offer, you can close the deal.



### **Agreeing on the Leasing Terms**

The most time consuming part of buying a business is assembling the lease assignment due to third-party involvement – the landlord. You, your VR Business Intermediary and the Seller will work with the landlord to arrange an assignment of the current lease or create a new lease with new terms.

Once this happens, you will have to provide all the necessary paperwork to the closing agent or attorney. The closing agent or attorney will run a lien search thereafter. If everything is in order, any notes or equipment leases will be assigned to you or paid off. Lastly, arrangements are made for you and the Seller to count and price the inventory. When this is completed, documents are signed and the deal is closed.

### **Deciding to Sell Your Business**

How successful you are as a business owner always depends on how smart you are from the day you sign the closing papers to become the owner. You go from the position of the buyer to seller instantly, and your mindset has to change just as quickly. Whether you plan on selling the business in one year, ten years or never; strategies to maximize your business' value are simply good management practice. They should begin well before you ever decide to sell.

### **Keeping Good Records**

Where there is the day you buy a business, there will come the day you decide to sell. You should begin to position the business for sale from the day you buy it. If you want to build long-term value for the business, you must keep good financial records – especially to ensure short-term profits. This is critical throughout the life of the business, especially when you are trying to sell.

If you buy a franchise business, you should take the time to learn the franchisor's requirements for resale. These requirements are usually listed in the franchise contract.

### **Determining the Market Value**

Once you make the decision to sell your business, you must determine its fair market value. Your VR Business Intermediary has the most complete and current information on actual business sales and pricing formulas to help you settle on a value.

### **Manage Your Business Consistently**

The worst mistake you can make is paying less attention to the daily operations of the business once you have decided to sell. Sadly, this is a common mistake made by most Sellers.

Therefore, you must continue to manage your business for optimal performance so you can maintain maximum value. Keep up your inventory, maintenance, advertising and customer service levels. Most of all, maintain confidentiality. If your employees, customers or suppliers know your business is for sale, your value could suffer.

