



## Why Buy A Refurb?

by Neal Isaacs, Owner of VR Business Brokers Office in Raleigh, NC

If you have ever bought refurbished products you've probably learned the secret that companies like Apple offer products that were once new but are now back on the market at a discount as "refurbished" models at a discount. You get the same warranty but without the hassle of the sticker price so from a value perspective it's a great opportunity.

As a business broker, I see an analogy for purchasing existing vs starting a new business or franchise.

"Why to take the risk on location, menu, reputation, timing, brand fit... when instead you could jump in at the 3, 5, 7 year mark and buy a successful business that has all of these variables solved?"

One point of confusion for entrepreneurs in the Triangle looking to start a business is the notion of Franchise vs. privately held businesses. They are not mutually exclusive; franchise businesses can also be privately held. So the question is whether to build a new franchise, buy an existing franchise, or buy an established independent business in the Triangle.

There are great brands like Valvoline, SuperCuts, and Molly Maid looking to grow their brand with new locations, but there are just as many business opportunities like these existing independent businesses for sale. So what's the right fit for you? Here are a few things to ask yourself if you're considering a new franchise versus buying an established business...

Are you a cowboy? Franchises are made for people who like rules and structure. You will be buying a playbook, training, and support with a franchise and expected to follow the rules. If you're a cowboy who doesn't play by the rules, independent business ownership may be the right playground for you! It's worth noting that each franchisor has their own management style and some are more controlling than others, so ask other franchisees about this when you are interviewing them.

Do you have the net worth? While some Franchises have a low threshold for net worth, most of the big ones with brand recognition won't consider you if your net worth is less than \$500K and more often \$1M+. The model includes laying down a sizeable franchise fee of \$50-\$250K+, often investing in "leasehold improvements" or Real Estate, and then building a business from zero revenue. For these reasons they want you to be able to support your current lifestyle for a while before your business is "in the black." You may be able to afford more independently owned businesses than franchised opportunities, plus independent business owners will often offer seller finance to help you bridge the gap.

How big is your vision? It's important to realize that if you buy a franchise you are borrowing someone else's brand, but if you buy someone else's business you're buying something without limits. With some exceptions, you could buy an independent business and then create your own franchise. You could then sell your brand to other entrepreneurs. If you buy a franchise, your only option to grow the brand is to buy more of the same franchise.

As a business broker with VR, I focus on selling established business with cash flow (independent and established franchises), but I recognize that some people like to buy new franchises. Often these are "corporate refugees" who have enjoyed a successful career working for others but are ready to have their own business. They are used to having a formula, and often they have the resources to do it. I refer people like this to franchise brokers who help match people with the best franchise to fit their personality and skill set.

So where do you belong? Do you like to follow the playbook or make your own rules? Either way, we're lucky to live in a time when there's plenty of success to be had by anyone with the resources and ambition to get out there and build a business.



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