



Walking the Road to the American Dream What Buyers Want to Know When Looking to Purchase a Business

By JoAnn Lombardi, VR Business Sales/Mergers & Acquisitions, President

People want to be their own boss. By far, this is the biggest reason people want to go into business ownership. Some may be frustrated in their current job or position. Others may not enjoy their current boss or employer, while others feel that their abilities are not being used properly or efficiently.

Surprisingly, money is not the first reason; not because it isn't important, but it may not be the primary issue. Once a person decides to go into business for him or herself, he or she has to explore the options. Starting a business is one option, but there is a lot of risk for failure. Most people choose to buy an existing business because the risk is not nearly as high – established brand and customer base, existing inventory, place of operations, etc.

There are some key questions a buyer wants answers to, once the decision to purchase an existing business has been made. Below are some main questions that the seller should be prepared to respond to.

How Much is the Down Payment? Most buyers are limited in the amount of cash they have for a down payment on a business. After all, if cash were not an issue, they would buy the business outright.

Will the Seller Finance the Sale of the Business? It can be difficult to finance the sale of a business. If the seller isn't willing, he or she must be willing to find a buyer who is prepared to pay all cash. In many situations, this is very difficult for the buyer to pull off.

Why is the Seller Selling? This is a very important question. Buyers want assurance the reason is legitimate and not because of the business itself.

Will the Owner Stay and Train the New Owner? Many people buy a franchise or an existing business because of the assistance offered. A seller who is willing, at no cost, to stay and to help with the transition is a big plus.

How Much Income Can a New Owner Expect? A new owner has to be able to pay the bills – personally and professionally. Just as important as the income is the seller's ability to substantiate it with financial statements and tax returns.

What Makes the Business Different, Unique or Special? Most buyers want to take pride in the business they purchase.

How Can the Business Grow? New owners are full of enthusiasm and want to increase the business. Some buyers are willing to buy a business that is currently only marginal if they feel there is a real opportunity for growth.

What Doesn't the Buyer Know? Buyers and sellers don't like surprises. They want to know the good and the bad from the beginning. Serious buyers understand there is no such thing as a perfect business.

THE BIG FOUR AND THE REST

Years ago, it could be said prospective buyers of businesses had only four questions:

- 1) Where is the business?
- 2) How much is it?
- 3) How much can I make?
- 4) Why is it for sale?

Additionally, today's buyer wants to know much more before investing in a business. Sellers have to be able to answer not only the big four questions, but also be able to address the wide range of questions outlined above. What most buyers really want is an opportunity to achieve the dream of owning their own business.

**TODAY
I WILL
MAKE THINGS
HAPPEN**



JoAnn Lombardi, VR
Business Sales/Mergers &
Acquisitions, President