

3 Things You Need To Think About If You're Buying A Business

One way to achieve growth for your business is to buy another business. Or perhaps you're thinking of starting up a business and buying an existing business seems like a better option than starting from scratch.

A big mistake that many in this position make is to look for opportunities at the lowest price. But price is only one of a number of factors that must be carefully considered. Failing to consider all these factors is likely to make it much more difficult for you to be successful in your purchase.

Here are 3 such factors that you need to think about.

1. What funds am I personally willing to commit?

The answer to this question will dictate the amount of funds you'll be able to get from other investors and finance providers.

This is because their assessment of the risk of the venture will be linked to the amount of financial commitment they see coming from you. They figure that the more you put in, the more committed you'll be and so the more likely that the venture will be successful.

Trying to buy a business for €2,500,000 when you're personally investing €100,000 is going to be extremely hard to achieve. Whereas if you're looking at one in a €200,000 - €300,000 price range you're more likely to be successful in getting finance.

1. How much help will I need after the purchase?

If you're taking over another business there will be a huge amount of knowledge that goes into running that business. For instance, there will be relationships with customers and suppliers as well as knowledge of marketing and how the industry works.

Do you have that knowledge already? Quite likely you'll benefit from some continuing input from the seller.

This is where it becomes important not to be fixated on negotiating the lowest price. If the seller feels like they haven't got a good deal or negotiations have become unpleasant from their point of view, then they're less likely to be helpful to you after the sale.

This means it's in your interests to keep a good relationship throughout the negotiation process and it may be better to pay a little more in order to ensure that you get the support you'll need after the sale.

1. What are your plans for the new business?

When you're buying a business you need to consider what you're going to do with it and where you see it going. This is important to have in mind during the buying process because it will affect how you structure the finance.

For instance, if you have plans to expand the business, but you've maxed out your personal funds and finance facilities on the purchase you're going to struggle to realise those plans.

Conclusion...

As you consider these and other factors you're more likely to settle on a purchase and a deal that will bring you the success you want.