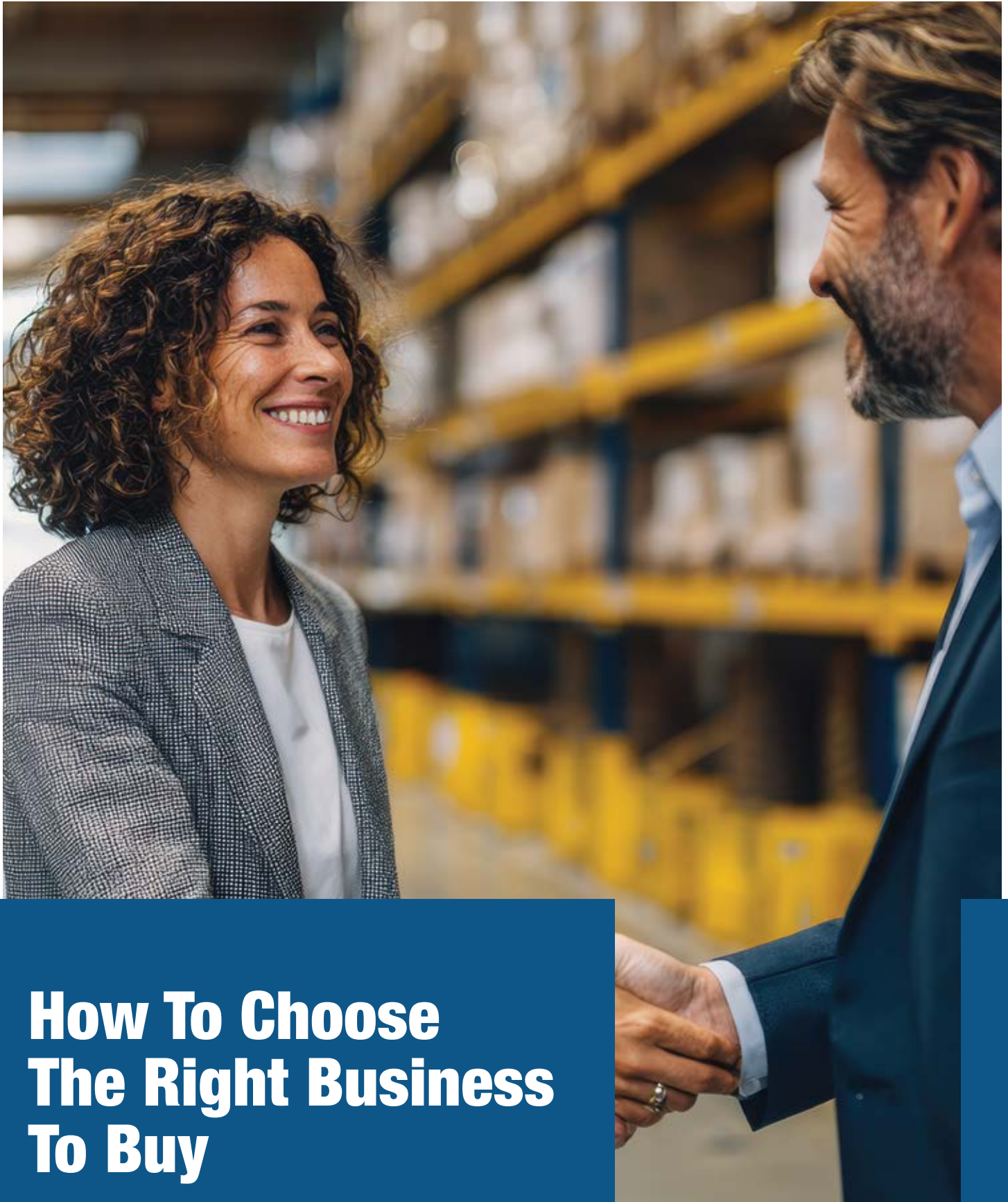




Excellence in Business Transactions



How To Choose The Right Business To Buy

It's daunting to start a company from scratch. If you want to own and manage a business, buying an existing company represents a streamlined alternative. The most important decision you'll make is choosing which business to buy.

THE MAJOR FACTORS TO CONSIDER ARE:

- 01** How the business aligns with your interests, skills, goals and budget
- 02** What the business sells and how it operates
- 03** The business' past performance and future potential.

This report will explain these factors in depth and evaluate the pros and cons of buying a standalone business versus buying a franchise.



Why buy a business?

Existing businesses are appealing because they already have cash flow, employees, customers, partners and operational infrastructure. A new owner doesn't have to spend time establishing these relationships and processes, as they would with a start-up, so they can immediately focus on driving business value instead. And the previous owner often stays with the business for a period of time, helping to ensure a smooth transition.

There are plenty of financing options available to help aspiring business owners purchase companies, including conventional loans from banks and subsidized loans from the U.S. Small Business Administration.

Your skills should pay the bills

The Most Interesting Man in the World once shared this bit of wisdom in a television commercial: "Find out what it is in life that you don't do well, and then don't do that thing." His advice is a great starting point when choosing a business to buy.

Your interests and skills don't need to align perfectly with a company you want to acquire. But if you rule out businesses in industries you're not familiar with, which require experience you don't have, it will be much easier to find the right company for you. From there, narrow the list further by identifying businesses that will allow you to play to your strengths. If your background



is in sales, for example, a manufacturer or distributor might be a better choice than a gas station — even if you have no direct experience with manufacturing or distribution.

The business you choose to buy should also align with your lifestyle goals. If you don't want to work nights and weekends, it probably doesn't make sense to buy a restaurant, which is busiest at those times. And if you're more interested in a business as an investment opportunity than as a hands-on career, you may want to buy a larger company that already has a strong leadership structure in place — as long as it fits into your budget, of course.





Get down to business

Many other attributes of a company deserve consideration as well, including its business model and location.

The typical business either sells products or services (Some sell both). Companies that sell products operate very differently than those that sell services. They have unique customer and partner relationships, staffing needs, cash flow expectations and more. Choose a company whose business model appeals to you and aligns with your skills and background.

A business' location may or may not be important, depending on the type of company. A retail store in a desolate industrial park will likely have difficulty attracting customers, whereas a manufacturer could very well thrive in the same spot. If a business' location is holding it back from reaching its full potential, make sure to consider the costs of relocation when calculating your budget. And, again, factor in your lifestyle goals. If a company has a profitable location, but it's an hour away from where you live and you want to be a hands-on owner, is it worth it to you to spend two hours a day commuting?

No evaluation of a business should be complete without examining its performance, including its profits, growth potential and reputation.

Some initial questions to ask are:

- What do partners think of the company?
- Do the company and its industry show signs of growth?
- What problems does the company have, and what will it take to address them?

Even if these questions are answered satisfactorily, you may have lingering doubts. After all, if the company is doing well, why is it for sale? Review a business' available financial records to help assuage these concerns. And remember that there are lots of reasons why a business may be for sale that have nothing to do with its performance, such as personal issues in the owner's life. Successful, well-run businesses are bought and sold all the time.

The trade-offs of franchising

Franchising presents another option when looking to purchase a business. A franchise is an independently owned and operated business that uses the name, business model and resources of a larger, existing company, such as a restaurant chain. Franchise owners have less independence than owners of standalone businesses, because they must operate within consistent, established guidelines. On the flip side, franchise owners face less uncertainty and go through less trial and error. In addition, franchisees receive support training, marketing materials and other support from franchisors, who have a financial incentive to help their franchises succeed.



Some questions to ask when considering a franchise include:

What's your level of commitment?

Some franchisors require a minimum period of ownership from franchisees, or they place restrictions on the sale or transfer of a franchise from one owner to another. Don't get locked into an agreement that doesn't fit your long-term plans.

What's your ownership style?

Some franchises more or less run themselves once the proper staff is in place. Others require regular hands-on attention from ownership. Choose a franchise that matches up with your desired work style.

What's the company like to work for?

With a franchise, you're not completely your own boss, so it's important to have a good relationship with the corporate office. In addition, make sure the franchisor will provide adequate support for your business.

Start your business ownership journey with expert guidance.
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