

Why it can pay to buy an existing business

If you're looking impartially and unemotionally at the options ahead when starting your own business, you have to admit simply buying one already in operation is incredibly appealing. Not only do you get experienced staff and an existing customer base, you also get established premises, a well-known brand and a network of suppliers thrown into the mix too.

Skipping the start-up stage

Within a few years of starting up, the majority of small businesses have closed for one reason or another, which means buying a well-established existing business should give the buyer some assurance they're buying an already tried and tested business model that works.

Plus, when you buy a business as a going concern you don't have to deal with start-up paper work, such as registering for a G.S.T Number with Inland Revenue (IR) and meeting any local body requirements for new businesses.

Existing businesses that survive and prosper typically perfect their operations over time, meaning you should be able to inherit a well-oiled machine with all its processes streamlined and backed up with documentation so you can hit the ground running in a fairly short period of time.

Existing staff can provide you with insight into how the business operates and how it could be improved. In addition to providing you with coalface insight into how the business operates, they'll probably be more than happy to tell you about areas which could be improved. Staff normally find it easier to speak up with a new boss and they may jump at the opportunity to start afresh with an owner who has every reason to listen.

Another bonus of inheriting staff is you don't need to recruit and train staff. You'll save time, money and energy you can focus elsewhere in the business. It's important to identify early on if there are any staff morale issues that need addressing, or if staff are resistant to new ownership and the changes this might bring. Talk to the staff and find out if they are happy in their roles, if there is anything that would help them do their jobs better, and what concerns they might have about a new owner coming in.

Showing staff you're interested in them and open to discussion should help to ease any worries they may have, particularly if they have strong loyalty to the previous owner.

Inheriting systems, customers and image

A good business should come with tried and tested processes and systems that allow daily, weekly, monthly, and annual tasks to be carried out as efficiently as possible. For example, a tourism business should have a simple booking system that includes all the product options. For accommodation businesses, there should be a housekeeping system that has the premises fresh and sparkling in time for new arrivals and allows necessary repairs or maintenance to be recorded and carried out as soon as possible.

Again, you'll save time, money and energy by not having to develop these systems yourself, and you'll be able to improve the systems if needed, with the ground work having already been done for you.

A major advantage of buying an existing business is that you inherit its market, or customer base – particularly if you buy a franchise or well-known company. This means you don't need to pour as many hours and dollars into marketing and advertising as you would with a new business.

You can use the business's existing brand recognition and image to reassure faithful customers what they like about the business won't change. For example, if you bought a popular inner-city cafe that catered to office and construction workers putting in long hours, during your first few weeks at the helm you might use a street-front blackboard to declare: "Under new management, still open from 7am, still staffed by award-winning baristas serving organic coffee".

Along with a recognized brand and business image, you'll also inherit a good reputation. This is a key point to be aware of when considering buying an existing business. If a business has a history of poor service or selling second-rate products, it might be difficult to convince customers that things will change under your ownership.

Buying peace-of-mind

While buying an existing business usually involves a greater initial financial outlay than starting a small business and growing it gradually, there are some peace-of-mind advantages that come with the expense.

An existing business will likely have long-term contracts with both suppliers and customers locked in. Knowing you are gaining established relationships, purchasing proven products, and will have regular business coming in each month gives you peace of mind. This also frees you up to focus on growing the business.

By inheriting the previous owner's business plan, you'll have a clear goal and path mapped out, giving a sense of direction and organization. Of course, this doesn't mean the business plan is set in stone, but it gives you a foundation to build on.

Finally, a good financial record is almost as important as good sales. Your business circumstances might change, requiring you to apply for finance or credit from new suppliers. If you have a strong financial track record, these will be granted without hassle. Without the backing of good results and records, you'll need to find other ways to prove your creditworthiness, and might not get the credit you need.

All up, there are many advantages to buying an existing business if you can find a well-priced business that interests you. It's always important to be sure the business you are considering is right for you, and crucial that you learn as much as possible about its financial status, history, value, and strengths and weaknesses before you commit to the purchase.