

Business Buyer Protection Report®

Issue 1.2

*Myths about
getting into business*

The Business Buyer Advocate®

Showing People How to Buy the Right Business the Right Way

Street-smart tips to help you avoid pitfalls when buying a business

Myth-busting is covered in this issue.

- The truth about starting a business...
- What franchisors fail to mention...

And then a dose of reality: The safe way to get your own business.

Why buy a business? Buying a business is usually cheaper, faster and safer than starting one. By purchasing a business, you don't add to the competition. You get a business' profit, from DAY 1.

When you start a business, however, the cash flow is from your pocket, out the door. Think about it. If you do a startup, you go into competition with everyone else in your line of business. If you know how to do it, you can usually buy cheaper, so why start? There's another reason not to start a business: Many don't make it a year. And, according to the SBA, 63% fail within 6 years.

What about franchises? They have all the risks just mentioned, plus several more. The franchisor is your boss, telling you what to do and how to do it. This can be good with the best franchises – and miserable with the worst franchises.

Say you own an ice cream shop. In the winter, you want to sell hot soup. The franchisor says "no." You can't do it, and you can't sell enough ice cream in the winter to make a profit.

Some franchisable concepts breed more franchises. They compete with you until the market becomes so saturated with competitors that no one is making good money and some go out of business.

According to the U.S. Dept. of Commerce, 40% of franchises go out of business. The royalty off the top line consumes some of the bottom line, which isn't bad if the franchise enables you to earn a good profit.

What about their short life? Most franchise agreements expire in 5 to 10 years. This may be the time your business is really a cash cow and you want to sell it, or you want to let someone else run it while you spend the profits in the south pacific.

When you tell someone that there's only a year or two remaining on your franchise agreement, who will buy it? How will you get your investment back and a return on it? The best franchises offer time extensions.

A franchise is a startup. You add to the competition. Customers eager for a bargain will love you. On the other hand, a good franchise has competitive advantages; these enable you to beat the competition.

Add this up: The cash for the franchise fee, plus the cash to open, plus the cash to feed the business until it breaks even, plus the cash to pay yourself a living wage until the business can, plus the cash to handle the surprises which all startups encounter.

This can easily total \$100,000, even for the smallest type of business.

What would it cost to buy a successful independent business? One with a proven location, operating procedures, employees and an owner who trains you. Some service businesses can be safer in the franchise model because the franchisor is there to support the new owner, promote the brand and upgrade the product line.

Don't be naive. And, don't take our word for it. Go to the library. Read the trade journals for any field in which franchising is prevalent.

Street-smart advice: If you find a good franchise, invest in it. If you're not sure about franchising, buy an established independent, winner business so you make money from DAY ONE. If you don't have the capital or borrowing power to buy an established business, a good franchise could be your entrée into business.

Three roadblocks are in your way to a successful acquisition.

1) Corporate downsizing creates a horde of unemployed, inexperienced business buyers. Many are desperate to buy themselves a job. They congregate around advertised and broker-listed businesses because these are the ones easy to find. Few of these people know how to buy a company. They're a major threat to you because they naively bid up the price and down payment. They create a seller's market!

2) Only 1 in 7 profitable small and midsize companies for sale are advertised or offered through middlemen. You must access the "hidden" market.

3) Being qualified to buy a business is not enough. Executives have trouble getting a new job, regardless of how qualified they are for it. It's even harder to find a good business before the horde of buyers or brokers get to it.

Bypass roadblocks. Use a combination of networking, telephoning and direct mailing. An effective system generates about three good leads every month. Don't give up your dream of business ownership or settle for a loser because your search doesn't produce winners. Change your method.

You won't get a good deal unless the seller has a compelling reason to sell; he will wait for another buyer to make a better offer. Your job is to increase the number of owners you meet who have a compelling reason to sell NOW.

The Street-Smart Way to Buy a Business® has been in use since 1974 by thousands of people throughout North America.

What makes us different from other advisors is our niche. We invented the concept of **Business Buyer Advocacy**™. We developed a *Street-Smart 22-Step Acquisition Sequence*™ to help you avoid pitfalls and keep you on track.

We train and counsel business buyers in the use of our proven system. It enables you to access businesses for sale that you cannot find on your own, and then buy them more safely at a better price on better terms.

You will use our:

- *Buyer Training Syllabus*
- *Business-For-Sale Locating & Screening System*™
- *Business Acquisition System*™
- *Business Valuation Kit*™
- *How to Get ALL the Money You Want For Your Business Without Stealing It*

To receive another complimentary *Business Buyer Protection Report*, contact your **Business Buyer Advocate**® who sent you this copy.

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There are always opportunities through which businessmen can profit handsomely if they only will recognize and seize them.

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