

Industry Statistics

The industry of business buying has some very interesting, yet dismal statistics. When I have mentioned these numbers to people outside this industry, they are stunned.

- 90% of all of the people who begin the search to buy a business never complete a transaction
- Only 20% of all of the businesses listed for sale ever sell.
- Business brokers only account for 10% of all transactions.

Why is it so important for you to know this? Let's look at each one individually:

Why 90% Never Buy:

Interestingly enough, a recent poll indicated that 50% of all Americans dream of owning a business. One would think that with such high numbers, far more people would be successful. After all, a 90% failure rate is abysmal. There are several factors why this happens.

Reason # 1: Most people have never bought a business before. They enter this process completely unprepared. Even if they've had a successful career to this point, for most, nothing they've ever done adequately prepares them for what's involved in this process. It's even new to those who have been involved in corporate acquisitions because now, it's their money at stake. Clearly, a lack of education is the number one reason for failure.

Today's business buyer will face an onslaught of life altering questions, situations, and decisions during the various stages of the buying process. Lacking the critical knowledge to make these decisions, they simply choose to abort the project rather than seek out materials to assist them. It's crazy, but most people will spend hours online trying to save a few bucks when booking a vacation, but will not invest any time learning how to buy the right one. To avoid this trap, educate yourself, before you start looking, and certainly before you invest your money.

Reason # 2: Determining the right business is difficult for most people. With so much on the line, most get too scared to take a chance of buying the wrong one. After looking at many listings, and even visiting some sellers, most people cannot get comfortable with what type of business fits with their strengths. Don't spend your time searching endless business for sale listings, trying to figure out which, if any, may be right for you. Determine what business is right, and then find it (it's actually quite easy once you know how to do it). Whatever it is that you do best has to be the single most important driving factor of the revenue and profit of any business you consider purchasing.

Reason # 3: A lack of expert advice. Not having access to expert and unbiased advice derails many people. Business brokers work for the seller. Family and friends, while generally supportive, usually lack experience in this area and so they too do not prove to be of much help. Plus, most are negative about the entire concept because they don't

want to see you at risk. The average person cannot afford to hire priced consultants or representatives, since they want to allocate their available funds to the acquisition itself. Whatever it takes, be sure that you have someone with whom you can strategize and discuss various opportunities or have their input for the situations you will encounter.

In summary, to avoid being a 90%er:

1. Educate yourself
2. Determine what business is right for you
3. Affiliate yourself with someone who can provide you with expert advise

Why 80% Of All Listings Don't Sell:

There are too many listings. The Internet is swamped with business for sale listings. There are hundreds of thousands available. Websites scream about quantity: "20,000 businesses for sale...click here", but very few provide quality. Now, it's certainly not the website's fault. They are providing you with a service. Unfortunately, they cannot police the quality of information provided. Sellers and brokers list businesses, and provide information that is often inaccurate or misleading. Any seasoned buyer knows that they have to dig in and extract the information. You have to know what questions to ask, what to look for, and how to determine if what is being represented is true.

Most businesses are overpriced. The sellers have no logical reason for their asking price outside of deciding that they want x amount. That may be fine for them, but that's no way to package a business for sale. There are additional unrealistic expectations by the sellers which cause only one in five to sell: they want all cash sales, they do not provide adequate books and records, the business may be in decline, and quite often, they do not disclose enough information for someone to make a logical decision.

Every business has secrets. You need to learn everything the business before you buy it. When sellers misrepresent facts, or do not disclose all of the issues, when/if they arise, buyers become leery of continuing the negotiations. Again, it comes down to knowledge.

Business Brokers Are Only Part Of The Process and A Big Part of The Problem:

Sellers and Intermediaries have terrible follow up skills. Have you tried contacting any of the sellers? Most of the online listings are represented by business brokers. I don't know about you, but one of the biggest complaints I hear is that you cannot even get a reply to your inquiries. It's craziness.

A business broker can be of use to buyers in the right scenario. Keep in mind that they almost always represent the seller. In all fairness, they are besieged with buyers so when you contact them, be compelling. Demonstrate that you're serious. Tell them exactly what you're looking for (if possible), how much you have to invest, and most importantly, that you're READY to buy immediately, if you find the right opportunity.

Don't restrict your search to brokers. Once you have an idea of the type of business you want, consider doing a direct solicitation businesses that fit your needs. Send them a direct letter and let them know what it is that you're looking for. Get the word out to everyone: friends, family, professional contacts. You never know where the right lead will originate.

Your Next Steps:

Buying a business is something that anyone can achieve. Don't let this become a looking process. Put yourself in a position to buy. Above all, educate yourself. You cannot guess your way to success! With the right information and advice, you'll make all the right decisions. Don't allow yourself to become a 90%er!