



Buying a business is it for you?

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We find that there is an awful lot of talk about business disposals and focus on sales, there is though, a perception that perhaps less consideration is given to buying businesses.

Perhaps this is because for many the proceeds of a sale is their nest egg they have been working towards whilst for others it is their exit route or succession strategy. The media are, it seems, more interested in the headline grabbing attention of a report on the proceeds of such sales.

Buying a business can certainly be a worthy and profitable exercise and possibly equally as exciting, if that is what you look for from a deal.

Why then would you want to buy a business?

There are a number of reasons why a business acquisition may be considered.

Probably the overwhelming reasons are to gain market share by taking over a competitor. In many cases the markets for business in the UK are consolidating, growth can only really come about from taking business from your competitors. Whilst over time an aggressive or sophisticated sales and marketing strategy may prove effective in getting customers to switch, this can be a costly and timely process.

For established businesses or new entrants into an established market, acquiring a business, whilst at first sight might be a high cost, can offer the advantages of easy of entry. With the additional benefits of speed of getting to market and access to technology as well even intellectual property. Ready made teams of key personnel may prove much more attractive than the slow and laborious process of recruitment.

Whether your acquisition is to complement existing business interests or as a route to running your own business, there is a case that raising finance for such a situation can be in some cases easier than that for a new start. The reason is probably obvious, but there is likely to be a track record, assets and even a debtor book on which to provide and secure finance.

What is the right business to buy?

Simply, the right business to buy is the one that best fits and meets your personal and commercial objectives. The key to success is making that 'shopping list' before you start 'shopping' and when looking ensuring you stick to your list.

Aspects to consider are location, types of customers, products and services and affordability to name but a few.

Profitability now and more importantly in the future, is of paramount importance, as is an assessment of the potential return on your investments and whether this will include revenue streams and capital growth.

Getting some impartial advice from an accountant and business adviser can prove more than worthwhile. This may include aspects of the value or price of a business and how best to approach a deal, they can also help you in your quest for searching out businesses if you do not have a target in mind.

Unlike retail shopping, business acquisitions do not offer the protection of an exchange policy, though the process of due diligence and provision of covenants etc. can afford some protection in safe guarding a buying decision.

Finally whilst the business press cover many a 'story' of one major acquisitions or another, we undoubtedly experience and are involved in a number of acquisitions at all levels, they are certainly not limited to the big corporates.

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