

Search Techniques: How to Find the Business of Your Dreams

There are a variety of methods you can use to find the business that is right for you, but you need to know what “right for you” means to be successful in your search. By following the suggestions in this article, you will have a head start on finding the right business. You will start by assessing your objectives and the types of businesses that you believe will meet those objectives. You should also prepare for your search by reviewing three BizByOwner articles: ***Buying A Business: A Process Overview***, ***Questions to Ask A Seller*** and ***What’s a Good Price For A Business?*** The more knowledgeable and prepared you are for your search, and for conversations with sellers and brokers, the more successful and satisfying the search process will be. Buying a business will be one of the most significant and important investments decisions you ever make. It will pay to be prepared, thoughtful and thorough in your search approach.

Suggested steps and methods in the search for your business:

1. Identify your business ownership objectives.

- Number of days per week it is open, hours of operation, other lifestyle issues.
- Growth potential, number of locations, number of employees, etc.
- Be realistic about what businesses you can afford. A good rule of thumb is to have 20% - 30% of the purchase price in readily available, liquid funds.
- Be as objective as possible about your strengths and weaknesses when assessing your ability to take over and run a given business successfully.

2. Lay out specific criteria of ideal businesses/industries.

- What business types/industries will you target or exclude.
- Determine the cash flow you will need to support yourself.
- Identify the range of purchase prices you can afford. Valuations vary widely and it could be more or less, a good rule of thumb for setting expectations is that a business will cost you 2.5 - 3X the cash flow you require.
- Have realistic expectations about down payments and the loan you can qualify for. Banks will look at your credit, your experience, available collateral, and the quality and sustainability of the business’ cash flow. 20% - 30% of the value you calculate above (3 X Cash Flow) may be a good expectation for a down payment. The SBA may also consider the portion of the purchase price “carried” by the seller as equity/down payment.
- Identify the management (team) requirements of your target business/industries.

3. Prepare a resume & personal financial statement.

- Brokers, sellers, and bankers will want this information.

- A professional summary of your business experience, in either classic resume format or as a professionally written narrative paragraph.
- A financial statement showing assets, liabilities and net worth.

4. Contact business brokers.

- Prepare to review and sign Confidentiality Agreements.
- Provide them with your information (business criteria and personal financials).
- Remember the broker will almost always be working for the seller.

5. Search business MLS websites.

- BizBuySell.com; BizQuest.com; MergerNetwork.com; Emerge.com; BusinessesForSale.com; GlobalBX.com; and MergerPlace.com.
- If available, register to receive e-mail alerts from these sites for businesses that meet your criteria.

6. Local and regional newspapers.

- Sunday editions will contain the most comprehensive listings.
- The *Wall Street Journal* also lists business opportunities—in a variety of sizes, not just large companies.

7. Trade publications and newsletters.

- Subscribe to and search the classified sections of these publications for the industries in which you are interested.

8. Contact industry suppliers and trade associations.

- Suppliers and Trade Associations are a good source of company specific information and will often know if any of their customers/members are selling their business.

9. Investigate franchises.

- Read the BizByOwner article, *Is Franchising for Me?*
- Visit the Small Business Administration website for numerous franchise related resources.
- Read franchise industry publications.
- Learn about “master” franchising—a powerful business model.

10. In-person prospecting.

- Face-to-face
 - Talk with the owner’s of businesses in which you are interested.

- Telephone
 - Call and ask to talk with the owner—be up front about who you are and what your interests are.
- Direct mail
 - Consider mailing a professional letter to businesses in industries you want to target, indicating that you have an interest in acquiring a business in their industry and asking if they would consider selling.