

The Benefits of Buying a Business versus Starting a New Business

Starting a business from scratch can be an overwhelming prospect. The excitement of creating a brand-new company from the ground up can easily be overshadowed by the high level of risk and effort it entails. With nearly half of all new businesses failing in the first year and 80% going under within five years, purchasing an existing business or franchise is a safer option for many entrepreneurs.

Acquiring an established company poses an array of benefits. Before making your decision, take the time to review the advantages and evaluate whether they outweigh the potential rewards of starting your own business.

More profit potential. When you work as an independent contractor or sole proprietor, your income is limited by your individual capacity. After all, there are only so many hours in the day. By purchasing an existing business with a base of employees all working toward the company's success, your revenue opportunities increase dramatically.

A solid track record. An existing business is most likely based on a concept that has already been tested and proven. It's usually easier to secure financing for an established business versus a start-up, because the lender can verify past financial records as a means of minimizing risk.

Brand identity. When you purchase an established business, you're also purchasing its brand—that intangible essence that can encompass everything from a logo to the emotional reaction the company evokes in a customer. Building a brand is an elusive, often time-consuming process that can't be bought or expedited. By investing in an existing business, you'll save yourself the time you would have spent branding a new one.

An effective network. Just as priceless as brand identity, a network of customers and vendors can take many years to establish. When you purchase an existing business, you'll acquire all working relationships the seller previously forged.

Hardware and equipment. When you start a brand-new business, virtually everything must be purchased: computers, furniture, printers, and more. Although these are necessities for efficient operations, these types of assets don't directly impact revenue. Another benefit of acquiring an established business is that most of these essentials are already on hand. You won't need to spend time on hooking up telephone lines, configuring Internet access, or arranging for mail delivery—you can step right in and start working on business improvements.

Trained personnel. With a start-up, you're tasked with hunting down the employees you need to take care of business. One of the main advantages of buying an established company is the acquirement of a full workforce. With an experienced, effective staff, you'll most likely find that your business will more or less run itself. You'll have more time to spend with family, explore other business opportunities, or focus on the company's growth and development without sacrificing revenue.

A healthy revenue stream. When starting a business from the ground up, most entrepreneurs don't see a profit for at least the first year, often up to three. Purchasing an established business eliminates that slow starting period—you can begin reaping the monetary rewards of a profitable company right away.

Although buying an existing business eliminates some potential for failure, any type of entrepreneurship always poses some level of risk. By taking the time to research your market, creating a realistic budget, and investing the necessary resources in developing and marketing your product or service, you'll be more likely to enjoy a comfortable return on your investment.