

## BUSINESS OPPORTUNITIES

# To buy or start from scratch

**I**f you are undecided whether to start your own business or buy an existing one, analyse both the advantages and disadvantages, says to Bruce Coudrey of Benchmark Business Sales.

Mr Coudrey said a good business history could increase the likelihood of a successful operation and ensure that finance was easier to obtain.

He said potential disadvantages could be overestimating the goodwill figure and inheriting a poor public image from the previous owner.

"We've all heard the statistics, that 80 per cent of small businesses don't survive the first five years, but what we don't hear is that typically refers to start-up businesses," said Mr Coudrey.

"When you buy an established business you increase your chances of success because if you've done your research you will have identified whether your prospective buy has all of the qualities in place to be a profitable business.

"An established business is a known quantity – starting from scratch is an unknown quantity.

"Businesses that fail fall down in three key

areas: insufficient organisation, insufficient control of key performance indicators and insufficient capital.

"When you are looking to buy a business, spend some time to see how the business functions on a day-to-day basis and then ask to see if there is an operations manual."

International Professional Services director Craig Tschirpig said buyers paid more for an established business, which meant they might have trouble obtaining the finance.

"If you start small in your own business and gain momentum, you won't have to find an initial large lump sum," said Mr Tschirpig.

"Cash flow will generate and capital requirements can be met from this cash flow or supplied by external sources as your business grows.

"You will have full ownership and control and not have to rely on vendor finance.

"Some vendors have clauses in the contract of sale that state if you are not making payments on time they can take the business back.

"Another advantage of building your own business is that if you sell the business you get a much higher profit as you haven't paid a high price at the start."



International Professional Services director Craig Tschirpig

## fast facts

- People thinking of buying a business should go to [www.business.gov.au](http://www.business.gov.au) or [www.ipaustralia.gov.au/smartstart/business.htm](http://www.ipaustralia.gov.au/smartstart/business.htm)
- It is easier to get finance for a business if the bookkeeping is up to date
- Contact Benchmark Business Sales on 5584 9232 or International Professional Services on 5528 0799

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