

## Ask SCORE

*I'm considering purchasing a local, long-established dance studio. I have the training and skills to run it, but have never bought a business before. What advice can you give me?*

Buying an existing small business can expedite one's way into entrepreneurship. All the upfront effort has been taken care of, as has much of the learning curve. And with staff and resources already in place, you may think stepping in and taking over is all there is to it.

In truth, acquiring an existing small business is far more complicated and requires the same amount of research as a start-up. There are many potential pitfalls and traps, any of which can turn a "sure thing" into a disaster.

Here are some important questions you should ask when considering purchasing an existing business:

**Why is the business for sale?** Often the response will be that the owner wants to retire or is in poor health, which may be true. But the real reason may be that the business is in a declining neighborhood, or the owner knows of an impending market change that will cut into profitability. While uncovering the real reasons for a sale may not be easy, remember that people rarely walk away from a profitable small business unless there is a strong personal reason, or they have received an incredible offer.

**What kind of reputation does the business have?** If it has a good reputation, this may be the most important thing you are paying for. On the other hand, you may be much better off starting your own business from scratch than acquiring one with a poor reputation because of shoddy merchandise or poor service. Overcoming that damage could take years.

**Is the reputation transferable?** Even if the business has an excellent business reputation, you will want to know whether that goodwill is based on personal relationships developed between the owner and customers, or for other reasons. This is particularly important if the business relies heavily on a few key customers or suppliers with whom the owner has favorable business arrangements. Those arrangements could evaporate when you attempt to take the owner's place.

**How profitable is the business now?** Find out what the business has actually earned for the last few years. Unless you are certain you can run it more profitably than the current owner, stay away from a money-losing business or one that does not produce a satisfactory profit.

**Are you getting everything that makes the business tick?** Things such as well-developed customer lists; favorable leases and contracts; patents, trademarks and trade names; or certain skilled employees who are vital to the business should be part of the package.

*This column is brought to you by the Merrimack Valley Chapter of SCORE, with nearly 70 current and former business executives available to provide free, confidential, one-on-one business mentoring and training workshops for area businesses. Call 603-666-7561 or visit [merrimackvalley.score.org](http://merrimackvalley.score.org) for information on mentoring, upcoming workshops and volunteer opportunities. SCORE is a national, non-profit organization and a resource partner of the U. S. Small Business Administration.*