

Advantages of buying an existing business

There are a number of reasons why it makes economic sense to buy an existing business. You get an existing customer base, established premises, a well-recognised brand, experienced staff, a network of suppliers, and more. This article outlines the advantages of buying an established business.

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Skipping the start-up stage

Within a few years of starting up, the majority of small businesses have closed for one reason or another. According to Statistics New Zealand, only 58% of the businesses set up in 2001 were still trading three years later, and only 31% were still in business in 2010. This means buying a well-established existing business gives the buyer some assurance they're buying a tried and tested business model that works. And when you buy a business as a going concern, you don't have to deal with start-up paper work such as registering for a tax number, GST, and as an employer with IRD.

An existing business will have honed its operations over time. This means that you should inherit a business with streamlined and documented systems. It should be easy for you to learn the ins-and-outs of the business, and get to know the business, through the seller and any experienced staff who'll stay with the business.

Existing staff often have more of a coalface perspective than the boss – they can provide valuable insight into how the business runs and areas that could be improved. In such cases, staff are likely to feel more comfortable communicating their concerns to a new boss, and may be able to suggest ways of solving the problems.

Another bonus of inheriting staff is that you don't need to recruit and train staff. You'll save time, money and energy that you can focus elsewhere in the business. It's important to identify early on if there are any staff morale issues that need addressing, or if staff are resistant to new ownership and the changes this might bring. Talk to the staff and find out if they are happy in their roles, if there is anything that would help them do their jobs better, and what concerns they might have about a new owner coming in.

Showing staff you're interested in them and open to discussion should help to ease any worries they may have, particularly if they have strong loyalty to the previous owner. Read more about [managing staff](#) and try this online training to learn how to [get staff to do what you want](#).

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Inheriting systems, customers and image

A good business should come with tried and tested processes and systems that allow daily, weekly, monthly, and annual tasks to be carried out as efficiently as possible. For example, a tourism business should have a simple booking system that includes all the product options. For accommodation businesses, there should be a housekeeping system that has the premises fresh and sparkling in time for new arrivals and allows necessary repairs or maintenance to be recorded and carried out as soon as possible.

Again, you'll save time, money, and energy by not having to develop these systems yourself, and you'll quickly get a good grasp of the day-to-day running of the business when learning existing systems. In addition, you'll be able to improve the systems if needed, with the ground work having already been done for you.

A major advantage of buying an existing business is that you inherit its market, or customer base – particularly if you buy a franchise or well-known company. This means you don't need to pour as many hours and dollars into marketing and advertising as you would with a new business.

You can use the business's existing brand recognition and image to reassure faithful customers that what they like about the business won't change. For example, if you bought a popular inner-city cafe that catered to office and construction workers putting in long hours, during your first few weeks at the helm you might use a street-front blackboard to declare: 'Under new management, still open from 7am, still staffed by award-winning baristas serving Hummingbird organic coffee'.

Along with a recognised brand and business image, you'll also inherit a good reputation. This is a key point to be aware of when considering buying an existing business. If a business has a history of poor service or selling second-rate products, it might be difficult to convince customers that things will change under your ownership. To learn more about the key questions to ask and areas to investigate when considering buying a business, read more about [due diligence when buying a business](#).

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Other advantages of buying an existing business

While buying an existing business usually involves a greater initial financial outlay than starting a small business and growing it gradually, there are some peace-of-mind advantages that come with the expense.

An existing business will likely have long-term contracts with both suppliers and customers locked in. Knowing that you are gaining established relationships, purchasing proven products, and will have regular business coming in each month gives you peace-of-mind. This also frees you up to focus on growing the business.

By inheriting the previous owner's business plan, you'll have a clear goal and path mapped out, giving a sense of direction and organisation. Of course, this doesn't mean the business plan is set in stone but it gives you a foundation to build on.

Finally, a good financial record is almost as important as good sales. Your business circumstances might change, requiring you to apply for finance or credit from new suppliers. If you have a strong financial track record, these will be granted without hassle. Without the backing of good results and records, you'll need to find other ways to prove your creditworthiness, and might not get the credit you need.

All up, there are many advantages to buying an existing business if you can find a well-priced business that interests you. It's always important to be sure the business you are considering is right for you, and it is crucial that you learn as much as possible about its financial status, history, value, and strengths and weaknesses before you commit to the purchase.