



## Acquiring a business: pick the right options

Buying an existing business or a franchise is a sound strategy to get started in business. You can buy an existing company, consider a franchise or become a licensed manufacturer. But before you make that important decision, ask yourself these important questions:

- Does the business fall within the scope of your business plan and area of expertise?
- Why is it being sold?
- Does the price reflect market conditions?
- Are there goods or equipment along with the sale? And what are their value?
- Is the building for sale as well? If it is rented, under what conditions can the lease be taken over?
- Does the seller have good relations with suppliers and customers?
- What is the level of skills and training, as well as the quality of work relations in the company?

### Buying an existing business

The positive side of buying an existing business is that the company has been tried and tested. For example, you can forecast short- and long-term profits on the basis of its financial statements. However, the downside is that you are also buying an established company that has its own business culture, management style, and relationships with outside partners.

If you change the way things are done in the business at the time of sale, you may run into resistance. Don't hesitate to discuss your intentions openly with the seller. Explain your management style, how you plan to run the business and what changes you intend to make. Many buyers ask the previous owner to stay with the company until they are more familiar with running the business.

### Acquiring a franchise

A franchise is a business operated under a contract giving you the right to produce and market an existing product or service in exchange for payment by the franchiser. The franchisee benefits from the knowledge, proven production or management methods, publicity, advice, and better buying power of the franchiser.

Before you buy a franchise, find out whether the franchises operating in your area are financially sound. Is the brand well known? Are there any competitors nearby? Take a close look at the restrictions and obligations imposed by the franchiser. You will have to charge the same prices as all other franchises operating under the same name, restrict yourself to the franchise's products and follow the same methods of production.

In other words, you gain a little security offering a known product but a reduced margin of manoeuvre and creativity. Consult the [Canadian Franchise Association](#) for advice on running a franchise. You can also research a specific franchise before buying it. In Quebec, you can consult the CNFP (French only) for information on franchising and affiliated business.

### Licensed manufacturing

Another way to get a business off the ground is to manufacture products that have been designed by somebody else.

For example, a product designer may have a patent and prototype, and entrusts you with manufacturing and marketing the patented product. An alternative would be that the product already exists under a protected trademark in another country, and you secure the rights to reproduce it.

Venture capitalists and manufacturers' agents are excellent resources for putting you in touch with inventors. As well, trade shows and journals are good sources of information on new inventions and products abroad. These sources can also give you ideas on products that can be imitated and sold in local markets, as an alternative to importing goods. While you're doing your digging, you may come across products that were not successful on the market but that still have potential. Before considering these products, find out why they did not achieve commercial success: Was the marketing poor? Were they sold in unfavourable conditions? You may find that these products are still viable. For example, some ecological or multimedia products came out at a time when people were not very interested in the environment, and did not own computers.

**Recycle, resell and improve**

Another option is to give an existing product a new use. You might consider using those parts of a used product that are still good or reprocessing the basic materials. Entrepreneurs could also substitute cheaper or equivalent materials and reduce the cost of production. Keep in mind that this requires technical know-how but can generate a healthy profit margin.

Just as in any business, there must also be a demand for the product which you will still have to market. You should ensure that you can maintain an adequate supply of raw materials (the recycled product) and that you can resell goods at a discounted price. Here, too, you must be able to count on having an adequate supply of goods from bankruptcies, clearance sales, and unsold stock.