

*The*  
**Ten** *secrets*  
*The Seller*  
*Will Never*  
*Tell You*



SHHH.

*Critical business issues that*  
*impact*  
*the deal and*  
*can haunt you later*

( and cost you dearly after you buy )



# Table of Contents

## Welcome

### Introduction:

The Rules of Engagement

### Secret #1

Numbers Don't Lie – People Do!

### Secret #2

Deal Terms: What the Seller Really Wants

### Secret #3

Too Much Business in the Hands of Too Few

### Secret #4

Will Customers Still Buy From You?

### Secret #5

Employees: How Loyal Are the Key Ones?

### Secret #6

"The Business is as Easy to Run as a Lemonade Stand," Said the Seller...NOT!

### Secret #7

Can the Business Grow? If Yes, Why Hasn't the Seller Done It?

### Secret #8

The Competition: Meek or an 800-Pound Gorilla?

### Secret #9

Suppliers: Will They Sell To You and On What Terms?

### Secret #10

What's Lurking in the Shadows?

## Resources and References

Resources, References, Articles, Services and Miscellaneous

# Welcome!

Thank you for subscribing to this Special Report.

You are going to learn a lot of powerful information that will prove to be very helpful to you.

No matter where you are right now in the business-buying process do not do anything further until you read through this document. It may be the most crucial thing you do throughout this process.

1. If you are just starting out – You will learn some critical issues that you need to be aware of so that you head down the right road.
2. If you have begun to search – Before you get any deeper, the information in this report will better prepare you to ask sellers and brokers more pointed questions. It will show them you are a savvy buyer.
3. If you are well into a deal already – The key issues that you will learn here may make the entire difference between buying a good business and overlooking something that can cause enormous problems after you take over.

You may find it easier to print out the information. This way, as you go through each section, you can make notes. Feel free to email us with any questions. We are always available to help you. You can do so by visiting our website at: [www.diomo.com](http://www.diomo.com) and simply send your questions through the Contact Us page. There are additional references and resources listed throughout this report and a resource section at the end.

I look forward to helping you buy a good business at a great price.



Richard Parker  
Diomo Corporation – The Business Buyer Resource Center™  
Author of How To Buy A Good Business At A Great Price©

## Introduction

# The Rules of Engagement

I want to begin by getting something off my chest that is critically important for you to understand about the business-buying process. It drives me absolutely crazy to think that over ninety percent of the people who begin the search to buy a business never do. I call them the “Ninety Percenters”. The sad truth is that there’s no reason for this dismal statistic.

While there may some people who are not serious, I fundamentally believe that the vast majority of people who start looking are sincere about wanting to own a business. So what happens? Why do so many people not complete this project successfully?

The business-buying process itself – rather than the individual – will oftentimes cause a serious buyer to give up the dream. Buyers constantly tell me about uncooperative business brokers, manipulative sellers, and business data being misrepresented by sellers.

Some of these roadblocks do exist, but so what? All you need to know is how to hurdle them. It’s not difficult. It’s simply a matter of knowing what pitfalls to look for.

By subscribing to this Special Report, I know you have the attitude in place to be a “Ten Percenter” but now, you need the aptitude. Your entire success in this project hinges upon having the right information at your fingertips and the right advice when you encounter situations where you may need some additional assistance. This is especially true if you are a first-time buyer.

As a buyer, it is important for you to understand the seller’s agenda and how you need to philosophically approach the business-buying process. It is equally important to know exactly who and what you are dealing with on the other side of the table in this transaction.

### WHY LISTEN TO ME?

I have been in your shoes as a business buyer. I have personally purchased ten businesses with prices ranging from \$50,000 to \$5,000,000.

In my publishing business I have written seven in-depth study guides on how to buy a business and have more than 100 published articles on the subject. My company, Diomo Corporation (the abbreviation for “**D**oing **I**t **O**n **M**y **O**wn” – great name isn’t it?), has provided consultations to more than 20,000 small business buyers since 1990.

Lastly, I do mid-market intermediary work representing buyers and sellers. I clearly understand how sellers think. I know all the tricks they play. And I know exactly how business brokers operate.

### THE THREE RULES YOU NEED STARTING TODAY

The first rule is that there are no rules. The business-buying process is not standardized. There are no laws that dictate what sellers must reveal to any prospective buyer. It’s a “don’t ask, don’t tell” scenario. In other words, if you don’t ask the right questions, they do not have to tell you anything.

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I am an incredibly optimistic person. I believe that most people are honest and trustworthy. Of course, there are exceptions, but in general I have a very positive attitude towards core human characteristics. My wife says I should be the world leader of "The Optimists Club". However, when it comes to buying a business and putting my money and future on the line, I'm a real skeptic.

You had better become one, too! This is rule number two.

When dealing with a seller or broker, listen carefully to anything they say, but don't believe it until you have hard data to prove it. This is your rule number three.

The interesting and somewhat contradictory idea is that – to really uncover the guts of any business – the seller will be your best source of information. After all, nobody knows the business, the industry, the market, the competition, the employees, the customers, or suppliers better than they do. But they definitely cannot be your only trusted resource.

Not taking the owner's word as the absolute truth may seem obvious, but when you are in the throes of a deal and discussing a business you initially know very little about, and you have begun to establish a relationship with the seller, it is very easy to be lulled into a false sense of security by them.

## **FACE FACTS: THE OTHER SIDE IN THE DEAL (THE SELLER) DOES NOT SHARE YOUR OBJECTIVE**

As a business buyer, your goal should be to acquire a good business that can become great with you as the new owner. There are lots of them available. Unfortunately, there's also a ton of garbage floating around in the business-for-sale listings.

It is imperative for you, the buyer, to determine that the fundamentals of any business you pursue – including the revenue, profits, customers, employees, and suppliers – won't disappear once the seller walks out the door. In other words, you need to know that the business will at least be sustainable after you take over. From there, you can build it.

This Special Report will address these issues, specifically about how this type of information may be hidden or not made readily available to you by the "other side".

Unsuspecting business buyers get taken to the cleaners all the time by unscrupulous sellers. In addition, even very intelligent people do not always make intelligent decisions. It's unfortunate indeed, but it's a situation that can always be avoided.

Conversely, well-informed buyers always make the right choices.

It's entirely up to you!

## **NEVER FORGET.....**

No matter how wonderful a seller may appear, most, if not all, have just one objective: sell you the business and get as much money out of you as possible. End of story!

The seller and/or the seller's representatives are not obligated to tell you anything. There is no law or standardization to this process that dictates what they must reveal. The responsibility is yours to uncover the real truth about the business **BEFORE** you put your hard-earned money and future on the line.



The only way you can do that is by making certain that you:

- Are well-informed about each stage of the process
- Ask the right questions
- Know what answers to look for
- Research everything

## A QUICK WORD ABOUT BUSINESS BROKERS

You will meet all kinds – some good, some bad. It doesn't matter. They, too, have one goal and that is to sell their listings. Hopefully, you will encounter the good ones; but either way, they cannot determine your future. Deals get done between buyers and sellers, so never let them stand in the way of you successfully completing this journey.

Good brokers understand that their role is to facilitate the deal. They will assist the parties. They will suggest ways to navigate through the process. They will offer concrete suggestions. In other words, good brokers will help the deal move forward effectively.

However, unless you are paying them, they do not represent you; they represent the seller or the transaction. They won't mislead you, but they may not dispense unbiased advice favorable to you. That is not their role.

The awful ones (and there are plenty) see themselves as sales people. They think they can convince someone to buy. And you know what? They often accomplish that with inexperienced buyers. They will push and push to try to "close" you. They will try to dictate how things "have" to be done. Don't listen and don't let it happen. Do not let anyone push you around. Your money and your future are at stake. While you should never be hard-headed, at the same time do not allow anyone to dictate the rules.

## STAYING FOCUSED, THINKING LOGICALLY, AND DISMISSING EMOTION ARE YOUR BIGGEST CHALLENGES!

Buyers get emotional and excited. It's understandable. They begin to dream about all of the wonderful aspects of business ownership – and there are indeed many incredible benefits that come with owning a good business. Nevertheless, you absolutely must maintain a level head. Logic must prevail.

Sure, you want to be passionate about a business, and you must be in order to be successful. However, until you own it, toss your emotions out the window.

On one hand, you want to have a nice relationship with the seller. It helps to get deals done when the two sides get along. Any situation can be overcome when the buyer and seller trust each other. Plus, you will need them to train you, so it's important to get along. Through experience I have learned that any transaction that becomes a perpetual confrontation will probably never get to closing.

On the other hand, they want your money! They want to "sell" you. So how do you balance these opposing points? It's simple: never let the seller know that you know they are performing their "sales pitch". You want the seller to loosen up in your presence. You want to get their guard down; but you must **NEVER, EVER** let yours slip.

Now that you understand the general Rules of Engagement, let's get started.

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## Secret # 1

# Numbers Don't Lie – People Do!

It's unanimous – every prospective business buyer is worried that the seller has “cooked the books”. Guess what? It's a legitimate concern. The bad news is it that it does happen. The good news is that you can take steps to uncover the truth.

Keep in mind that, when evaluating the financials of a business, you are dealing with numbers – and numbers don't lie. People do. Any attempt to manipulate them will come to the surface if you have them thoroughly dissected. Now, is it possible for a seller to go to extraordinary lengths to cover an intricate scheme? Of course it can happen; but with the right information and knowledge, coupled with competent professional financial help, you will either establish checks and balances for all the activity or not.

While it is incumbent upon you to reconstruct the paper trail, the seller has to provide the backup to validate what they have represented.

## **EVEN THE NUMBERS THEY CAN “PROVE” CAN BE MISLEADING!**

If you've searched any online databases you're going to see a lot of different terms for what the business is generating for the seller. Some of the terms you will see are: Owner Benefits, Seller's Cash Flow, Seller's Discretionary Earnings, Adjusted Income, and too many others.

Allegedly, they should all mean the same thing. However, they may not. Theoretically, this is the figure that a new owner can expect to have available in cash flow to service any debt and pay themselves a salary.

The key is to get a verifiable breakdown and detailed backup of what's in this number. Sellers and intermediaries reconstruct and adjust the financials to arrive at this figure, but sometimes the items they add back to “pretty up” the financials simply are not correct. Many attempt to add back every conceivable expense to bolster this figure.

It's like putting lipstick on a pig. No matter what, it's still a pig.

The misinformation generally occurs with add-backs that are really not personal expenses that a seller may put through the business. You see this with cell phones, vehicles, equipment depreciation, and family members in the business. The bottom line is they cannot add back any expenses that you will also incur.

In a business where you will need to update equipment regularly, they may attempt to add back all of the depreciation without accounting or adjusting the number downwards for future capital expenditures that you have.

You also see it where a family member besides the owner is working there. Sellers will tell you they only work part-time and don't need to be replaced. You take over and find out they did all the bookkeeping and you have to spend \$25,000 to replace them.

There are a number of great articles you should read about what are and are not legitimate add-backs and how Owner's Benefits are calculated. One you definitely need to read can be found at: <http://www.diomo.com/valuing-a-business.html>

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## THE OLD STORY OF “CASH SALES” – BEWARE!!

One common area that traps business buyers is when seller represents that there is additional unreported income in the business. This is actually a case when the seller may be offering you information that absolutely cannot be validated. Yet so many buyers become enamored with the idea and I have no idea why.

A seller will usually pull you aside after you question the financials and say something like, “You know, these aren’t the *real* numbers... there is a lot of cash (wink, wink) that I put right into my pocket.”

Here’s the plan regarding cash sales: IF THEY CANNOT PROVE IT, YOU CANNOT PAY FOR IT!!! That’s it; that’s all.

Now, there are people who are enticed with the idea of buying a small business with cash sales. It’s a mistake and here’s why:

- For one thing, it’s illegal.
- Let’s say the seller tells you there’s \$50,000 in cash a year and you factor that into the valuation. What if it’s \$30,000, \$10,000, or zero? If they can’t prove it and you pay for it, you could end up making a huge financial blunder.
- If you’re taking cash out of your business, chances are your employees are, too.
- If you truly want to build a business, the extra cash you’re stealing would be better served in marketing activities.
- When the time comes for you to sell the business in the future, you’ll get a better price because you can prove the numbers.

Besides, if the seller has been getting the benefit of hiding it for years from the tax department, he surely cannot expect to benefit again when the business is sold – you can’t have it both ways!

## TAX RETURNS – HOW TO MAKE SURE THEY’RE REAL

Although you may be required to work beyond a company’s tax returns to determine some numbers, it’s a good idea to have the seller allow you to get a copy of the company tax return on file with the tax department (the Internal Revenue Service in the USA). There’s a form #4506 you can obtain on the IRS Website that the seller can sign allowing you to get a copy of their return directly from the IRS. You may be familiar from personal experience, as some mortgage lenders now require it, but most people don’t realize that you can also use it to get a copy of a company’s tax return. I have been involved with some deals where even the accountants did not know this form exists (a scary thought indeed). If the seller resists executing it in any way, don’t walk from the deal... run!! Here’s a link to get the form: <http://www.irs.gov/pub/irs-pdf/f4506.pdf>.

## SUMMARY

The financials are a critical part of the decision to buy a particular business or not. The seller has to provide the adequate backup and you must be very forceful about this point. When it comes to cash, remember the Golden Rule: if they can’t prove it, you can’t pay for it.

One thing you really need to understand about add-backs is that you must be very cautious. Do not simply accept them because there is proof they exist. The documentation may be there, but the actual add-back may be incorrect.

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They must either be legitimate personal expenses or business expenses that you as the new owner will not incur, or ones that you will benefit from (i.e. depreciation).

After doing a detailed analysis of enough businesses, you will be astounded to learn how many sellers misrepresent or cannot prove the numbers. It's part of the game. Once you get any preliminary figures on the business, make certain that the seller or broker provides a detailed description of exactly what is included in the owner's benefit figure and proper explanations of everything. The better brokers will prepare a statement with the adjustments clearly detailed, but not all of them will do it.

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## Secret # 2

# Deal Terms – What the Seller Really Wants

Sellers and their brokers will often tell you, “We are looking for an all-cash deal,” or, “There’s not much room” on the price, or “We believe the business is properly priced,” etc., etc., etc...

Don’t pay any attention.....

**EVERYTHING** is negotiable!!!!

As you may have read on our Website, I have been in your shoes as a business buyer. I have personally purchased ten businesses and have seen the full range of deal terms. I still cannot believe how buyers get hung up on the wrong issues and miss incredible opportunities to negotiate great deals.

First, don’t get discouraged if a seller initially takes a tough stance – they’ll come around in time.

Insofar as all other terms of the deal, you have to push the seller’s hot buttons and find out what they really want. A good deal goes beyond the price and terms, and the asking price is NOT the selling price.

You want to learn:

- Is the down payment more important than the total purchase price?
- Do they have any tax concerns that may make an extended payout more attractive?
- Are they hung up on getting a certain interest rate on a note (it’s always better to pay a higher rate in exchange for longer terms).
- Do they have a mental barrier regarding the purchase price? In other words, they may be adamant that they want \$500,000 for the business – and \$490,000 sounds much less.

If the valuation makes sense it may be OK to pay their price as long as they accept your terms.

## IT ALL STARTS WITH AN OFFER

There’s only one proven method to really determine what a seller wants – make an offer and don’t worry about insulting them as long as you are not being ridiculous. A written offer is without question the best vehicle to:

- Get a seller thinking
- Demonstrate that you are ready to buy
- Force any intermediary to outline the pros and cons to their client
- Elicit a response that will articulate what is most important to the seller

Let me give you an example. I was negotiating with one seller who absolutely wanted \$1.2 million for the business. Every way I valued the business, I could not justify any more than \$900,000. I kept prodding him to explain his rationale and finally, after hours of discussions, I learned that he had always dreamed that the business would make him a millionaire. So that was it – no rationale, it was all emotion. No problem, I told him I would pay him \$1,000,000 but I would only put down 30 percent and I wanted him to carry a 30-year note. He agreed! How crazy is that? All he wanted was bragging rights to say he had sold his company for a million dollars and to satisfy his own ego – perfect! His big ego was my big gain.

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## **SELLERS WILL NOT OFFER TO FINANCE THE DEAL, BUT THEY WILL – ALL YOU NEED TO DO IS INSIST ON IT**

Inexperienced buyers think that financing a business purchase with a bank is as easy as getting a loan for a house. Wrong!

Banks are nowhere near as open-minded about lending you money to buy a business as you would think. The loan officer will politely tell you, “We’re sorry, but it just doesn’t fit with our lending criteria; but please keep us in mind for any of your other needs.” It’s simple, they almost always want 100% collateral so why the heck do you need them? (SBA deals can differ a bit.)

However, there are lending sources available and there is no better mechanism than to have seller financing to get a deal done.

Seller financing is the ideal scenario for both parties: you get to complete the deal with the seller sharing part of the risk, and, by offering a note, the seller can usually obtain a larger total purchase price.

Generally, sellers will take a rigid stand initially and certainly will almost never, ever disclose they would consider it. Don’t worry – you’ll wear them down!

Sellers are worried that you won’t pay the note and that is why it is critical that you impress them and they gain confidence in your ability to operate the business. If they see you as a savvy business person, trustworthy, committed, and enthusiastic, most sellers will go out of their way to get a deal done with you. Getting them to finance a good chunk at that point is easy.

In fact, if you impress them, they will probably turn to their broker after the meeting and say, “That’s the guy I want to buy the business.” Once you get them to that place, they will jump through fire to get the deal done and you can’t even believe what you can negotiate.

There are lots of great articles and questions and answers from buyers on this subject which you can read at: <http://www.diomo.com/financing-the-deal.html>.

### **SUMMARY**

I can assure you after being involved in thousands of negotiations that deals are meant to be done. There’s no limit to the level of creativity that you can employ. Unless a seller is just testing the waters, anyone who puts their business on the market can be easily tantalized by the prospect of cashing out.

Although they may seem to initially take a hard-nosed approach, once they begin to smell the money and mentally spend it, they’re done – you win!

Above all, make offers, make offers, make offers. That is the only way you’re ever going to find out what a seller really wants. And it’s the only vehicle available to get a deal done.

Here’s a great article for more great tips on this subject. It’s called “Forget The Asking Price” <http://www.diomo.com/forget-the-asking-price.html>.

### Secret # 3

## Too Much Business in the Hands of Too Few

If you're not familiar with the term "customer concentration" it's a situation where an extraordinary amount of a company's revenue or profit (or both) is disproportionately distributed amongst a small number of clients. In other words: a few customers represent a large part of the business.

This situation is far more common than you think.

This may not be an issue for a retail business, but it is certainly common in service, manufacturing, and wholesale businesses. However, even if that is what you're thinking about buying, read this segment because (a) you may change your mind; and (b) you're going to learn something that can easily be applied to other situations.

### IT'S NOT NECESSARILY A PROBLEM, BUT IT CAN BE A DISASTER!

Customer concentration may not always be a bad thing, but it can be a dangerous scenario. If you're buying a business where too much revenue/profit is concentrated into a limited number of customers, the business can evaporate quickly should one or two of those customers decide to stop buying. Before you know it, you'll be in a deep crisis or out of business altogether.

Rest assured if you do not ask the seller about it, they will not disclose it. In a moment we will discuss how to deal with this issue, but first you need to identify it. Without having the seller be concerned about disclosing highly confidential information early on, ask them, "Do any of your customers represent more than ten percent of your sale?"

Next, ask them for a list of their top 10 or 20 customers, without any names or other confidential information. You just need a list of the top five or ten customers and how much they each represent of the revenue. (i.e. Customer # 1 – X%).

Some sellers may resist and that is understandable. You will find brokers who do not want to provide this until there is a formal offer. However, if the business has any clients representing a large chunk of the business you need to know this early on BEFORE you start spending time or money on offers pursuing what may be a volatile business.

Ideally, you want a business with many active customers supporting the business. This way, if a few stop buying, it really does not affect the business. In many businesses, however, customer concentration is a real issue.

This situation may not worry the current owner, and even if it does, they are going to almost laugh it off with you as a non-threat. He has benefit of knowing the "guts" of the business, and may have a long-term personal relationship with the clients, or it's simply a matter that it's a common occurrence in their industry.

I once owned a business that did \$26 million with five clients and it did not worry me at all because I had dealt with the clients for years. Unfortunately, when I wanted to sell the business, nobody outside my industry could get comfortable with this situation. That's probably why the buyer was an industry insider and I had to accept a major earnout in the deal which I expected.

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## WHAT TO CONSIDER

When customer concentration is an issue, it may still be a very viable business; however, you need to consider the following:

1. You need to get comfortable with the fact that there are customer concentration issues. If you cannot, then you either need to walk or have bulletproof protection in the deal structure.
2. In your analysis, you need to clearly identify the impact that each customer has on the business. How much are they worth to the company annually in revenue and profit? What is the impact if they stop buying?
3. You need to be highly aggressive with the seller in making your case about points one and two. There's no need to mince words; they need to hear loud and clear, "If these customers leave after I buy your business, the company is worth a fraction of what you are trying to sell it for – end of story!!"

## HOW TO PROTECT YOURSELF

The best way to protect yourself from the fallout of customer concentration is to have a performance-based component in the deal (also known as an "Earnout"). Either the revenue or profit – or both – should be tied to the continuity of the client and revenue/profit. Sellers don't like them, and most business brokers hate them (they may have to wait for their commission) but for you, the buyer, they can be perfect.

The seller's resistance may be that if you are incompetent and the customers stop buying, it's not their fault. True enough, but on the other hand, if they cannot assure a certain period of continuity, what are you really buying altogether?

From a buyer's perspective, the longer the earnout period, the better it is. For the seller, the opposite holds true. The middle ground is to have a reasonable period, and usually 12 to 24 months after the sale is a good period to measure the results.

Structurally, you should negotiate a total purchase price with a certain percentage tied to the earnout. If the business is sustained, the seller earns the total price. If it falls short, the price and terms are adjusted accordingly.

## SUMMARY

Customer concentration is a major issue in a number of small businesses. You must ask the seller early on about their customer breakdown and get adequate proof either way. Often, a big concentration may force you to walk from the deal. That is fine. Similarly, in some industries it's the norm. So, you either must get comfortable with it or not. If you can't, then the industry itself may not be right for you.

If you come across any such situations, feel free to contact us and we will be happy to help you formulate a deal structure. We receive a lot of questions from clients on this subject because it is so important. When you begin to follow our program, you also get unlimited after-sales support and consulting as part of our Personalized Consulting Program. Learn more at: <http://www.diomo.com/free-personalized-consulting.html>). Whatever challenge you face, we're available to help you.

In the Ask the Expert section of our Website, there's a perfect example of this scenario. Here's the question we received and the answer we provided: [www.diomo.com/Deal-Structure.html#2](http://www.diomo.com/Deal-Structure.html#2).

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## Secret # 4

# Will Customers Still Buy From You?

Ah yes, the magic question. After all, part of the allure, benefit, and cost of buying an existing business is that you will generate immediate cash flow from an existing customer base. Ideally, the phone will ring the minute you step in. With that in mind, it's important to be sure that the customer base is sustainable.

While it's impossible to determine with absolute certainty what the customers may do in the future, at the very least you need to be assured that there is no compelling reason why the customers would not buy from a new owner.

The good news is that most customers want just one thing: to be sure that you will continue to offer the same or improved products and/or services. The seller is often forgotten quickly and business and life goes on. Conversely, there are some businesses that are so intertwined with the seller that they simply cannot transition to a new buyer.

Sellers will almost laugh at the suggestion that customers won't buy from a new owner, but do not take their word for it alone. You need to determine with complete certainty why customers buy from the company and decide if you will be able to continue to provide whatever it is that drives them to purchase. It can be for a number of reasons – price, quality, service, location, product availability, convenience, personnel, long-standing relationships, and more. Your research needs to answer what is really important to the customers and make certain you can continue satisfying this need.

## FOUR WAYS TO DETERMINE IF CUSTOMERS WILL REMAIN CUSTOMERS

There are a number of questions to answer in order to gain an understanding of whether you can count on the business to remain status quo (or at least not decline immediately after you buy) because the seller is gone:

**Number One:** Is the seller “the business”? This is a big one. You may encounter a small business where the owner is so involved in the business – micromanages each detail – and is perceived in the eyes of the customers to be “the business”. This is not the type of business you want. Even though the seller may try to convince you that he is “hands off”, or that the business will easily transition, or that he simply likes to know EVERYTHING, it is probably not the case.

This can also happen by default if the business name is the owner's. You know, “Vincent's Air Conditioning” where everyone has come to expect Vincent to answer their calls if they have a problem. When Vincent goes, they may not want to talk to you.

You may need to actually keep the seller on board for a while after closing the deal, even if it's just for cosmetic reasons. It may take a bit of time for the customers to get used to the new owner and so, by easing them out over time, you can gradually train the customers. It may only be a case that the seller has a diminishing training period with you over a few months. Don't be afraid to include this in an offer if you deem it necessary.

**Number Two:** Another good way to determine this is to be perceptive when you meet the seller. If he gets an abundance of calls from staff, if he cannot conduct a one-hour meeting without being interrupted, if he does not take a lot of vacation or days off, these are clear indications that he is probably over-managing.

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You may be thinking, “No problem...when I get in there, I’ll give the employees the ability to make decisions without me.” While that sounds good, it may not work – owners who micromanage the business generally do not hire great employees (they feel threatened). Or when they do hire the right ones, the people lose their passion or leave in no time. Maybe the employees you think you’ll empower are not the right ones at all.

**Number Three:** Determine the process/strategy in place to solicit and retain clients. More importantly, will this process remain after taking over? Can it be improved? Are you capable of doing so? For example, if you are buying a personal service business like an insurance agency and the current seller actively recruits clients at his country club, well, that can be a tough act to follow.

**Number Four:** Is there any “monkey business” going on? An example can be a construction company you are considering that has been growing leaps and bounds – especially with municipal contracts. If the seller’s brother is the purchasing agent, or he’s paying off someone at City Hall, or has exclusive access to certain bids, how on Earth will you be able to continue this type of solicitation? You won’t; so don’t bother trying.

## **SUMMARY**

Understanding what gets customers in the door and keeps them coming back is the backbone to the business. If you do not get a handle on this situation before you buy, you may find yourself with a business and a dwindling customer base. Ask the key questions. Do your research and, above all, validate the seller’s explanation of why people buy from the business.

Sellers will typically discount their relevance to the business; don’t believe it.

## Secret # 5

# Employees – How Loyal Are the Key Ones?

This section will be an eye-opener for you. It is an aspect of the buying process that causes countless buyers to abort the process because they already know what you're about to learn.

We receive a lot of incredibly positive comments on this topic. Most are from buyers thanking us because, before reading this information, they had to walk from past deals since they simply did not know how to handle key employees. And they could not effectively counter the resistance they received from sellers about meeting them.

You always want to buy a business that has good employees, of course, but sometimes the employees can be a major stumbling block in a deal. This happens when any of the staff possess special licenses or skills that may, in fact, drive the business – and you don't have the same skill set. How can you be certain that they will remain on board?

I have also seen cases when, immediately after a new owner comes in, an employee claims they had been promised a major raise or other benefits. This can put the new owner in a real jam.

What should you do to protect yourself? Moreover, will they hold you hostage as the new owner? You may be opening yourself up to a disaster. The last thing you want is to be held hostage by an employee.

## WHAT YOU NEED TO KNOW ABOUT THE EMPLOYEES

One of the first sets of questions you should be asking the seller is about the employees, such as:

- Describe each employee
- What do they do?
- How long have they been with the company?
- Have they mentioned anything about leaving?
- Are there any contracts, verbal or otherwise, in place with them?
- Have there been any promises made about compensation?
- Do they know about the sale?
- For any of the employees, is there any type of compensation tied to company profits?
- Do any hold any specific licenses necessary to work in and/or operate the business?
- Do any have special relationships with certain clients?
- Have any left and then rejoined the company?

For any business you consider, you will want to know the “barriers to entry” for potential competitors, and this can include your own employees – if any can easily depart and become your competitor. Obviously, if you do not feel that the business can survive the departure of certain employees, then it may not make sense to buy it.

One of the main goals of becoming your own boss is to control your future. If an employee holds your purse strings, all you've done is traded one boss for another.

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## **THE CHAIR IS STILL WARM AND ANOTHER REAR END IS WAITING – ONE OF LIFE’S GREAT LESSONS**

People leave companies all the time and go to competitors or into other fields and the businesses survive. As a young man, I left a job and the night before I quit I told my father in a cocky tone how badly the company would miss me. He replied, “They’ll have another ass in your chair before you pack up all your stuff.” Talk about a sobering moment. It has served me well.

If there are any key employees, make sure you have a mechanism in the contract to meet with them prior to closing the deal. Don’t over-engineer this deal contingency, and use common sense. Only press it where truly key employees are involved. Here’s a great example of a question I received from a column of mine about this situation. You’ll learn two lessons: first, separate key employees from replaceable ones; and second, you’ll see how some attorneys are out of their minds. Read the article at: <http://www.diomo.com/Challenges.html#7>.

## **SELLERS WON’T LET YOU MEET EMPLOYEES (HERE’S HOW TO DO IT)**

Sellers and brokers almost never want the buyer to meet the employees because they’re worried about an exodus once word gets out that the business is for sale. While I can understand their point, let’s get real here: if you are going to be spending hundreds of thousands of dollars or more to buy their business, you cannot do so without meeting the key employees. That’s like buying a house and agreeing that you’re only going to look inside after the closing.

A seller can always introduce you as a consultant, or even an investor.

In some cases you can insist upon having an employee enter into an employment agreement. Personally, I do not think it’s a great idea: it’s a double-edged sword. If you bind yourself to a contract it could prove costly if they do not meet your expectations and you have to let them go.

## **SUMMARY**

The trick to all of this, of course, is to learn who, if any, are the real key employees – the ones that really help propel the business and their leaving would have a major impact on the business. The seller may not want you to think they even exist. The question to ask the seller is, “If you get hit by a cement truck tomorrow, or are forced to take a three-month leave of absence, who will run the business?”

As a last word, not every business will have one of these critical employees. In many businesses people come and go and can be replaced; some more easily than others. I have bought a number of businesses where I never met any employees. Afterwards most stayed on and some didn’t. It was no big deal, really. However, if there are any employees that really provide the fuel for the business, it is imperative that you meet with them before you close the deal.

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## **Secret # 6**

# **“The Business is as Easy to Run as a Lemonade Stand,” Said the Seller.....NOT!!**

I cannot stress enough how important it is for you to acquire a business that is right for you. The seller will do anything to avoid presenting any information which may cause you to believe you can't run the business. As such, you need to pay close attention as this section outlines how to hone in and determine the skills that are really needed to operate the business successfully.

Sellers will tell you they've lost their passion, or they really don't work that hard, and a new owner with a good work ethic will do great. That may be so, but there's always more to it than that.

You really need to drill down to learn what drives the business. Your future success hinges on your ability to effectively replace the former owner and have the know-how to grow the company.

That is why it is especially important that you buy a business that matches your skills perfectly! (Take a moment later on to read a great article on The Right Business for You at: <http://www.diomo.com/the-right-business-for-you.html>)

If you ask a seller to describe the ideal candidate to buy and run the business, he'll almost certainly describe you. How do they do it? When you first meet them and they ask about you, they will then use that description to tailor their entire sales pitch to you for nearly every question.

That is why you must ALWAYS ask your questions first and be vague initially about what you disclose about yourself. It's the classic sales pitch, so don't fall for it.

Remember, it's very easy to convince someone of something if you're an expert and they're not. When you look at different businesses, the sellers are experts and you probably know little or nothing about their business – so you're vulnerable to being sold.

## **IT ALWAYS LOOKS EASIER TO AN OUTSIDER**

If you don't do your homework and get sold on the idea that it's an easy business for you to run you'll immediately get trapped into “The Outsider Syndrome”. You begin to think it will be very easy to master the business. You start to identify all the wonderful things you can “easily” do to grow the business after you take over. Guess what? It may not be that easy. You're on the outside. And, chances are, the seller has probably tried a number of your ideas already.

Have you ever seen a business and said to yourself, “This place is a goldmine,” or, “So and so has a great business”? That's “The Outsider Syndrome”. It's very easy to critique what someone else is doing – especially when you don't know the inner workings.

That's why buyers can get sold on the concept that it will be simple for them to grow the business. It happens all the time. In fact, you want to be cautious you don't sell yourself. Stay alert and make rational assessments.

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## **YOU DON'T HAVE TO BE A GENIUS TO BE SUCCESSFUL – JUST SMART ENOUGH TO KNOW WHAT YOU'RE GREAT AT AND WHAT ARE YOUR WEAKNESSES**

Being successful as a business owner is not rocket science. I'm sure you've met plenty of successful people who are not exactly sending men to the moon. Some are even successful despite themselves. That should be your motivation. It generally takes hard work, persistence, and know-how. Do not let any seller or broker mislead you into thinking it's as easy as falling off a rolling log. It's usually not the case, but if you apply these three principles to a business that matches your skills you're putting everything in your favor.

One thing you should always do after you've had a chance to review the business and meet the seller is to see how easily you can explain what the business does to someone else. Chances are, if it's too hard for you to explain, it's probably too difficult for you to run.

So when all is said and done, the questions you need to satisfy are:

- Will the business transition well to you as the new owner?
- How long will it take for you to understand the business?
- Is the business all "gut know-how" or common sense?
- Can you interact effectively with the industry people? If you're a corporate executive you may not get on well if you have to go out and sell industrial equipment to shop floor managers in a blue-collar manufacturing facility.
- Do your business skills match what it takes to drive the sales and profits of the business?

By the way, don't worry about buying a business in a familiar industry. You can easily learn about a new product or service.

### **SUMMARY**

Most businesses are easy to operate, but the ones that aren't either have to fit your skill set exactly, or you need to pass. Don't try to be something you're not. On the other hand, don't panic about having to learn an entirely new industry of product or service. There's usually lots of good information to help you. Above all, as long as you match your skills to the right business and you're willing to work hard, you'll be successful.

One of the biggest mistakes that buyers make happens right after they take over the business in what I call "the transition period". You may be surprised to learn what the ideal short-term plan is after you buy the business. Here's a great article on what you should do after you first take over: <http://www.diomo.com/the-first-steps-after-you-buy-a-business.html>

## Secret # 7

# Can the Business Grow? If Yes, Why Hasn't the Seller Done It?

Meeting with sellers is a very exciting part of the business-buying process. Even for the businesses you decide against, you're always going to learn something at these meetings.

It's amazing how nearly every seller will tell you that the business can double with the right new owner. If I had a dollar every time I heard that line, I'd be sitting on the beach drinking martinis. You'll be blown away by the blue-sky image that sellers will paint for you about the future of the business with you as the new owner.

When the time comes to discuss the future opportunities that are available to the new owner, here's what a typical exchange between a buyer and seller will be like:

Buyer: "Can the business be grown?"

Seller: "Absolutely."

Buyer: "How?"

Seller: "With some new blood, you can easily double the business."

Buyer: "How?"

Seller: "There are tons of opportunities."

Buyer: "Such as...?"

Seller: "Hire more salespeople, spend more money on advertising, attend trade shows. It's easy."

Buyer: "Why haven't you done any of that?"

Seller: "Hmmmmmmmm....."

There are plenty of good businesses run by the wrong people. Yes, it is true that many scenarios exist whereby some new energy, focus, and drive of a new owner can make a huge impact. However, you need concrete evidence it can be done.

Sellers will claim they've lost their excitement for the business or they're too old to travel, or they are happy at the current levels. They certainly aren't going to tell you all the things they tried that didn't work, and that's exactly what you need to find out.

The way to do that is to understand the business. What are the trends in the industry? What are competitors doing? What ads are they running? What products or services are they promoting? Then confront the seller about why he hasn't done the same thing.

When addressing the growth potential it is absolutely crucial that you learn:

- How can the business be grown?
- What has the seller done, positive and negative, in the past to expand the business?
- What has worked and why?
- What failed and why?
- If the business has not grown significantly in the past couple of years, why hasn't it?
- What is the cost to grow the business? Can you afford it?
- Is it simply a mature business? Face the hard reality before you buy.
- Do you have the skills to grow it?

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## **TIMING OF SALE – GOOD FOR THE SELLER, BAD FOR THE BUYER**

You may come across a business that has just landed a major contract or has just experienced its best year and the seller puts it on the market. Unfortunately, in these cases the seller has often established an unrealistic and over-inflated view of what the business is worth. It happens all the time.

But it can be a great opportunity for you to offer a performance-based deal. So if you find the seller doing a real sales job on all of the great things that the future will bring, let him keep selling – because he's selling himself up. It's the ideal way to set them up for a performance-based offer.

You must value a business based upon the past, but you must buy it based solely on the future. While the seller will try to paint a phenomenal picture of a future beaming with golden opportunities, and feels that he should be paid for it, that doesn't make sense. Your hard work will grow the business, so why should the seller benefit?

### **SUMMARY**

The initial objective is to sustain the business you are buying unless it is a turnaround scenario. Growth is beautiful but your first priority is to be certain you don't go in reverse. Once you truly understand the business (usually 6-12 months after taking over), then you can start to focus on growth.

Having said this, you don't want to buy a mature business. If there is no growth potential, then chances are the business will eventually start to decline. As such, you need to get a solid understanding of what realistic growth opportunities exist, in what areas, at what cost, and if you have the skills and/or resources to execute the plan.

A good part of this comes with learning about the industry. It is imperative that your information-gathering starts very early because there's a lot to learn – you may be looking at an industry about which you know nothing initially. The good news is that we have an entire section of the program and a checklist of over 50 points to investigate, the exact sources to use, and exactly how to do so at lightning speed.

We get incredible feedback from our clients regarding our program's coverage of this important stage of the process. To learn a great "can't miss" tip, check out:  
<http://www.diomo.com/course.html#15>.

## **Secret # 8**

# **The Competition: Meek or an 800-Pound Gorilla?**

If there is one area where the seller and any broker will dramatically downplay reality, it's regarding competition. Be on guard; this is one component that absolutely destroys some buyers.

You may be shocked to learn how little some sellers know about their competitors, or how much they simply won't tell you. Interestingly enough, many sellers get panic-stricken at the thought of you really learning about the competition. I'm not sure why, really, but they're usually not too helpful.

No matter how insignificant the seller may deem the competition to be, you must take an exhaustive approach to understanding how they impact the business.

You need to know:

- Who are they?
- What are their strengths and weaknesses?
- Why do customers buy from them?
- On what basis do they compete with you?
- Are they well capitalized?
- How easily can they take away business?
- Are there mainly similar-sized businesses or any massive companies in the field (the 800-pound gorilla)?

You may be surprised – no, make that shocked – to learn that many sellers really do not have a handle on the competition. It's inexcusable! Make it a point to know the competitor's business as well as their own employees know the company (especially after you own the business) – that knowledge can prove to be the best sales ammunition you need.

There are a number of ways to learn who the competitors are: ask the seller, get copies of industry trade journals and publications (every industry has its industry bible – ask the seller what it is and ask them for an old copy, if possible), determine what are the industry associations, search online, and use local resources.

## **HOW TO GET BULLETPROOF DATA ON THE COMPETITION**

The best tactic is to contact the competitors directly. You should always ask to speak to a salesperson. Introduce yourself as a potential client. Sales reps are the best sources because most salespeople can't stop talking, and they'll think they have a chance to sell you something, so they'll keep selling and giving you information.

Ask them about their business – the products, their reputation, why you should buy from them – and establish a dialogue. Naturally, you need to make your questions appropriate. If you're looking to buy a florist shop, for example, tell them you are helping a friend from out of town plan her local wedding. List all of your questions beforehand. The key one to slip in is, "I have looked at a couple of places like XYZ Company (the company for sale). Tell me why I should buy from you and not them?"

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Next, call the trade publications. Again, speak to an advertising sales person. Tell them you are thinking about buying a business in their industry, and, if necessary, name a town 100 miles from where you are. Tell them you will likely advertise with them after you take over, and that you have a few questions. Ask them about industry trends – what you should look for; who the key players are; what they believe makes some companies more successful than others; who the key competitors are, etc.

You will find they will provide you with great information and, rest assured, it will be infinitely more detailed than what the seller would have you believe.

**IMPORTANT NOTE:** When investigating the competition or when doing any of your research, do not, under any circumstances whatsoever, disclose to anyone that the seller's business is on the market. This can cause them irreparable harm and legal ramifications for you. Above all, it's wrong. Be especially sensitive about this issue.

## **SUMMARY**

When evaluating the competition, you'll see that sellers will almost always downplay their significance. Often, it's because they really don't monitor them. It's a terrible way to run a business. You will also see that if you really learn about the competition, the seller will be astounded by you and will quickly realize that you are a very savvy buyer. As such, it will be a tremendous asset when you negotiate the deal as well.



## **Secret # 9**

# **Suppliers: Will They Sell To You and On What Terms?**

You would think the suppliers would be thrilled to keep selling to you. At least, that's what the seller will tell you, but it's definitely not always the case. Actually, I had to walk away from a huge purchase because of this exact reason and that was after spending a couple of months investigating.

In this section I will share the story with you and, believe me, an inexperienced buyer might not have ever made the discovery I did. You'll also learn what happened to the business shortly after I walked away – it's unbelievable.

Ask the seller if the suppliers will continue to supply you, and you'll hear, "Of course. Why not?" They may be right, but it's entirely possible the rules will change. In certain businesses, the suppliers are the most important spoke in the business wheel; yet many buyers fail to really dig into this component.

Similarly, most sellers completely de-emphasize suppliers' importance. They usually shrug off any questions with a comment like, "There's no problem at all – the suppliers will be happy to keep selling to you."

## **WHAT IF THE DEAL CHANGES? THAT CAN CHANGE EVERYTHING!**

You would think that all the suppliers care about is whether the new owner will keep buying, but what if the conditions by which they sell to you change dramatically? Think about how this could change the bottom line overnight.

Here's what you need to know:

- Will they honor the same trade terms?
- Will you get the same favorable pricing or payment terms?
- Will you have to re-establish credit levels?
- If there are any long-standing verbal deals, will they transition to you?
- Will any protected territories or accounts transition to you?
- Is there a contract in place? Is it assignable?

The rule here is simple: no matter what the seller might tell you regarding the suppliers, get it in writing from the suppliers; or, you need the seller to warrant this part of the deal. In other words, it must be a contingency (condition) to the deal.

## **HOW I AVOIDED A CATASTROPHE – THANK GOODNESS!**

I came close to buying a local distributor of industrial washers and dryers a few years ago. No matter how many times the seller told me, "Don't worry about the contract with the supplier," I was adamant that I wanted the supplier's written agreement in advance that they would either transfer the existing contract or enter into a new one with me. I had no desire to spend money on hiring an accountant for due diligence before knowing this would transpire.

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The condition was never met. Shortly after I rescinded my offer I learned that the seller had taken the business off the market altogether. Interestingly enough, the supplier had told him they would not roll over the contract to any new owner regardless. Apparently, they had a verbal agreement with another distributor in the area that if the owner ever sold his company, the other distributor would get the entire territory.

What's worse is I found out that the seller had known this but had not disclosed it. Had I not pressed this issue it would have never surfaced, and I would have lost over one million dollars.

If the seller will only allow you to meet the suppliers after you satisfy your financial review, let the seller be on the hook for your accountant's fee if the supplier contract doesn't materialize or they won't assign it. And regardless of what a seller may feel comfortable about doing, if any one supplier represents a significant piece of the business, you absolutely need to meet with them and confirm that the relationship will continue as-is.

## **HOW MUCH A SUPPLIER CAN INFLUENCE A BUSINESS**

Suppliers can be as important as customers – sometimes more so. For example, if the company distributes a medical device that is in high demand, if the supply chain disappears, so too will the customers. By the same token, if you have the right product, customers will flock to your door.

One of my first businesses was a manufacturer's representation firm. I was doing about \$2.5 million in revenue and making a good living (but I wasn't getting rich). Then I snagged the exclusive rights to a toy line that was on fire. I didn't have to make a single cold call: customers were calling me. Now that was fun!

My sales skyrocketed to \$30 million in less than two years (and I was making gobs of money). Just before the absolute crescendo of the business, I figured there was no way it would last forever and I actually sold the company to the supplier. Within twelve months the revenue had dropped to under \$5 million. That's a perfect example of how much a source of supply can influence a business.

## **SUMMARY**

If customers are the lifeblood of a business, then suppliers are like the heart that pumps it through the system. Do not underestimate or take for granted that they'll gladly sell to you. They probably will, but at what terms? A good supplier can have a huge impact on your business. I know it first-hand. Conversely, if there's no supply, there are no customers, no sales, and bye-bye business!

Sellers will have you believe that all is well with the suppliers. They'll be happy to sell to you and things will continue status quo. While that may be true, check it out for yourself.

One last note. If there are contracts between the company and any supplier, you may have to purchase the company's stock and not its assets to transfer over the contract. This is common with government contracts and especially in the medical field. This brings an entirely new set of circumstances with potential exposure to you. Here's a great article to learn more about buying a company's assets versus its shares at: <http://www.diomo.com/Deal-Structure.html#1>

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## Secret # 10

# What's Lurking in the Shadows?

You now have a very good understanding of how you must go about investigating and evaluating a business and the importance of validating everything the seller or broker tells you.

Knowing what questions to ask, the answers to look for, and having the right information and advice at your fingertips will make all the difference. When you combine this with the research you can do via the Internet, trade publications, industry insiders, and competitors, everything can be validated. However, you need to go even deeper because there may be some issues that simply never get to the surface.

Imagine you buy a business and find out one year later that a law is being passed which bans your main product or drastically changes the way you have to operate your business. It happens quite often. Or what if there's some factor completely beyond your control that comes into play after you close the deal that shuts down your business completely? Maybe it's a new technology on the horizon that renders your whole business obsolete. Now imagine that the seller had known about it and hadn't disclosed anything.

Or imagine you simply did not investigate the business deep enough to uncover it.

These are called looming threats. Almost all are situations that you could learn about beforehand by asking the right questions or knowing what to do. In this section, we'll discuss these in detail and you'll understand exactly what to look for.

For example, if you are evaluating a durable medical equipment company, you will want to learn if there is any pending legislation that could alter the way the government reimburses companies, or perhaps some pending certification laws.

Or let's say you are looking at a retail store that fronts a major roadway. What if there is major construction planned in the next two years? Do you think the seller will tell you? They may not even know about it. You have to visit City Hall, check permits that have been pulled, talk to the county clerk. City officials will provide you with this information, but a seller probably won't.

Actually, that's an understatement – bet on the fact that they won't.

What if the major tenant in a plaza where you're thinking about buying a gift shop leaves or does not renew their lease? Do you think the seller would disclose these things?

If you're buying a business that relies on location, then you need to become an expert in that region and understand what is going on in the neighborhood.

## WHAT'S OBVIOUS TO SOME PEOPLE MAY NOT BE TO OTHERS

There's a large plaza near my home that was anchored by a major retail chain. About two miles from here, a sign went up announcing their new "Super Store". It was obvious that the former location would be closed. At least it was to me and probably the thousands of other people who drove by the sign – or maybe people just don't think that way.

Being the inquisitive business "junkie" that I am, when shopping at the original location I asked a few clerks what was planned and, sure enough, they confirmed they were all hoping to be transferred to the new location since their store would be shut down.

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Seems straightforward, doesn't it? Not necessarily.

There was a gift shop next door that had an "Under New Management" sign posted about two months later. I always go out of my way to speak with business owners, and especially new ones, so I went in and chatted with the owner. He was a really nice individual and he struck me as being quite smart.

I asked him why he had bought the business and if he was happy so far.

He then went on to explain how the seller had "ripped him off" and that he was suing him. Why? You guessed it: he found out about the major tenant leaving AFTER he paid for the business. All he needed to do was go to City Hall and see for himself they had plans in place and underway for a new store.

I would never tell him what he should have done because that's history. I must tell you that I was really saddened to hear this man's plight.

It was a situation he could have easily avoided, but he got trapped. I see it all the time. You can't let it happen to you. In fact, some of the interesting customer comments we have received are so explicit in how our materials not only helped them buy the right businesses but helped them walk away from the wrong ones. See our customer stories and a really neat one from Donald Trump at [www.diomo.com/success.html](http://www.diomo.com/success.html)

I learned a long time ago that intelligent people do not always make smart decisions but well-informed people always do.

When it comes to buying a business, it doesn't matter who you know; it all comes down to what you know.

## **THE INFORMATION YOU NEED TO EXPOSE ANY LOOMING PROBLEMS IS AVAILABLE – YOU JUST HAVE TO KNOW WHERE TO LOOK AND WHAT TO LOOK FOR. HERE'S HOW**

You have to really dig deep and think about all the potential issues that could impact a business. On the other hand, you do not want to suffer paralysis by analysis. The best ally you can have is knowledge; there's no substitute. Well-prepared and educated people acquire good businesses and enjoy great success. If you try to guess your way ahead you'll probably fail.

The first step to uncover any looming threats is to make it a habit to begin your research into any business the moment that it becomes of interest to you. When you first see a listing and contact the seller, make sure you understand exactly what it does and the industry in which it operates. Most businesses are straightforward, but if you're buying a distributor of medical devices or a septic tank contractor, or any other business that is at all specialized, find out what the industry is referred to and then:

- Get hold of the key industry publications
- Search the Internet
- Locate any industry experts you can find online
- Read trade magazines and industry association Websites
- Find out if there are any books on the subject

Naturally, you will want to ask the seller some key questions on this subject. Since they may not disclose this you may have to interview (or interrogate) them like a trial attorney. Have you ever seen how a top-notch attorney asks a witness the same question several different ways?

Here's an example of how you can do it with the seller:

- What do you see as potential trends in the future for your type of business?
- Is there anything on the horizon that can impact the business?
- Are there any legal issues that may change the business in the next few months or years?
- Is there anything I should be aware of that is a concern to you about the business?
- What keeps you up at night about the business?
- If you were going into this business today knowing what you know now, what would you do differently?
- Are there any products, services, or strategies that you would add or eliminate?
- If I was your best friend and told you I was buying this type of business, would you encourage or discourage me from doing so and why?

Whatever questions you ask the seller, if you cannot elicit any valuable information, it is always a good strategy to employ one which will cause them to want to soothe your own pain. Using the following phrase is very effective, "I like this business, but buying it will be a major investment for me. I am betting my family's future on being successful. Knowing that, Is there anything you can tell me which could cause the business to decline or come as a surprise after I take it over?"

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**Your Next Step:**

## **Get Prepared or Get Ripped Off! It's YOUR Choice**

No business is perfect. There will be some warts. There may be some incidents you encounter; learn to separate these from catastrophes. The goal is to get into business.

Conversely, you must be prepared to walk away from some deals. The only way you can do that is by keeping your emotions in check and logically evaluating a business.

Don't worry – if you do your homework, prepare yourself properly, and have access to the right information, you will buy the right business and be on a fast track to success.

Above all, you must remember, the seller is your ally and your foe. You need them as a source of information and to train you, but their goal is to sell you and they will do what they have to do, in order to accomplish their goal. And you have to validate everything they say or represent.

They are not going to offer information to put the deal in peril. It is incumbent upon you to ask the right questions and do a thorough job investigating all aspects of the business.

The information we have shared with you in this Special Report is a fraction of the information you will learn in *How To Buy A Good Business At A Great Price*©. If you haven't already done so, make sure you order your copy today at: [www.diomo.com](http://www.diomo.com). You can download the complete program today.

Everything you need to know, and the precise steps you need to take for each and every step of the business-buying process – from where and how to search to identifying the right business, negotiating a great deal, arranging financing, investigating the business (use our trademarked 200-point due diligence checklist) – is outlined in our program.

You'll get over 500 pages of great information and proven strategies covering the entire business-buying process. Plus, you can consult with me at any time, at no cost whatsoever, for any questions you may have.

The materials include legal templates, spreadsheets, and two proprietary valuation formulas that have been through the rigors of thousands of business evaluations.

I want to thank you once again for reviewing this report. As an author, I am humbled and honored when anyone invests their time to read my words. I look forward to having you as a client and to personally helping you buy a good business at a great price.

To Your Success!



Richard Parker

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## Resources and References

[www.diomo.com](http://www.diomo.com)

### Articles and Resources:

Diomo's Article Page: <http://www.diomo.com/articles.html>

Diomo's Ask the Expert section: <http://www.diomo.com/ask-the-expert.html>

IRS form to obtain a copy of a Tax Return: <http://www.irs.gov/pub/irs-pdf/f4506.pdf>

\*Add Backs: <http://www.diomo.com/valuing-a-business.html>

Seller Financing: <http://www.diomo.com/Financing-the-purchase.html>

Forget The Asking Price: <http://www.diomo.com/forget-the-asking-price.html>

Customer Concentration: <http://www.diomo.com/Deal-Structure.html#2>

Seller Won't Allow You to Meet Employees: <http://www.diomo.com/Challenges.html#7>

The Right Business for You: <http://www.diomo.com/the-right-business-for-you.html>

After You Buy: <http://www.diomo.com/the-first-steps-after-you-buy-a-business.html>

Gathering Information on the Competition: <http://www.diomo.com/course.html#15>

Buying Assets versus Shares: <http://www.diomo.com/Deal-Structure.html#1>

### Services and Miscellaneous

To Order Your Program: <http://www.diomo.com/categories/make-your-selection.html>

Diomo's Personal Consulting Program: <http://www.diomo.com/free-personalized-consulting.html>

Customer Comments: [www.diomo.com/success.html](http://www.diomo.com/success.html)

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