

Title: Buying Basics – Finding a Business for Sale

By: Matt Manske

In the funeral industry, sellers typically do not want their competitors to know they are considering a sale. So even though there may be a lot of funeral homes for sale at any given time, it may be very difficult to find out which ones are actually available.

Buying a business can be very time consuming and stressful. Just finding a quality business for sale can be a daunting task. Once you find a business for sale, the real work of evaluating that business begins. Finding a business for sale and evaluating that business is a process. Like most processes, each step is important to achieving ownership. The goal of this Buying Basics series is to introduce buyers to key elements in the buying process.

In the funeral industry, sellers typically do not want their competitors to know they are considering a sale. So even though there may be a lot of funeral homes for sale at any given time, it may be very difficult to find out which ones are actually available. Personal networking is probably the best way a buyer can find out who might be considering a sale. Depending on the relationship you have with your current employer, your personal network should begin with people you can trust. This network will probably include a select group of your peers, existing funeral home owners and industry sales representatives located in the geography you would like to buy in. Another way to locate businesses for sale is to watch trade publications and industry websites for classified ads. But, please be aware that employing this method can be very time consuming as you will likely need to sort through many opportunities that are not viable or that do not meet your needs.

Paramount in your search for a business for sale is to be on the look out for several common seller situations. The first seller situation is when the business is for sale, but not at a price you can afford to pay. The common statement that everything is for sale at the right price applies to situations like this when the seller isn't really for sale but is merely "fishing" around for a buyer willing to pay an exorbitant price. Remember, regardless of how good the opportunity is, it may not be the best long term financial decision for you if your grandchildren will still be making mortgage payments. Every industry evolves over time and committing yourself and your family to an unreasonably large mortgage over a long period of time may drastically decrease your chances of long term success – especially if any unforeseen changes occur in the market or industry.

The second common seller situation is when a business is for sale, but the business is not viable long term. Most businesses are for sale for a reason. Finding out why a business is for sale will be one of the most important questions you will need answered. The best reason a business may

**Matt Manske is the Managing Member of BSF, LLC (website: www.4BSF.com).
He can be contacted at 913.343.2357, or by email at matt@4BSF.com.**

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be for sale is that the current owner would like to retire and transition the business to a well qualified buyer – one that will uphold the owner’s good reputation in the community. A less desirable reason a business may be for sale is that the market has changed and business volume simply isn’t what is used to be. The market population may have decreased or competitors in the market may have eaten away market share to a point that it will be impossible to bring the business back to the performance level it once enjoyed. The important thing here is to find out why the business is for sale and determine if that reason is a positive or negative to the transaction.

A third common seller situation is when a business is for sale, but the business just doesn’t fit your needs. Assuming the business is for sale for a positive reason and the business has been doing consistent sales revenue. This sounds great, but this business still might not be a fit for you. The funeral business is very personal and most owners enjoy a very close relationship with their customers. These relationships are critical to the long term success of the funeral home. Transitioning these relationships to a new owner doesn’t always go off without a hitch. When there are competitors in the market, new owners often see a downswing in business revenue or volume of ten percent or more during their first year. If these customer relationships are not transitioned effectively, the new owner may see even greater downswings in revenue and volume. The main point here is to evaluate the non-financial aspects of the opportunity very closely. The non-financial aspects are sometimes even more important to the long term success of the business than the financial ones.

In summary, developing a personal network is a great way to find out which owners may be considering a sale. Confidentiality is important and the best business transactions are the ones nobody finds out about until months after they have been completed. Be on the lookout for several common seller situations and don’t be afraid to ask why the seller is considering a sale. Make sure the business, customers and community are a good fit for you and your family. This fit will be the key to effectively transferring the current owner’s close customer relationships.

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