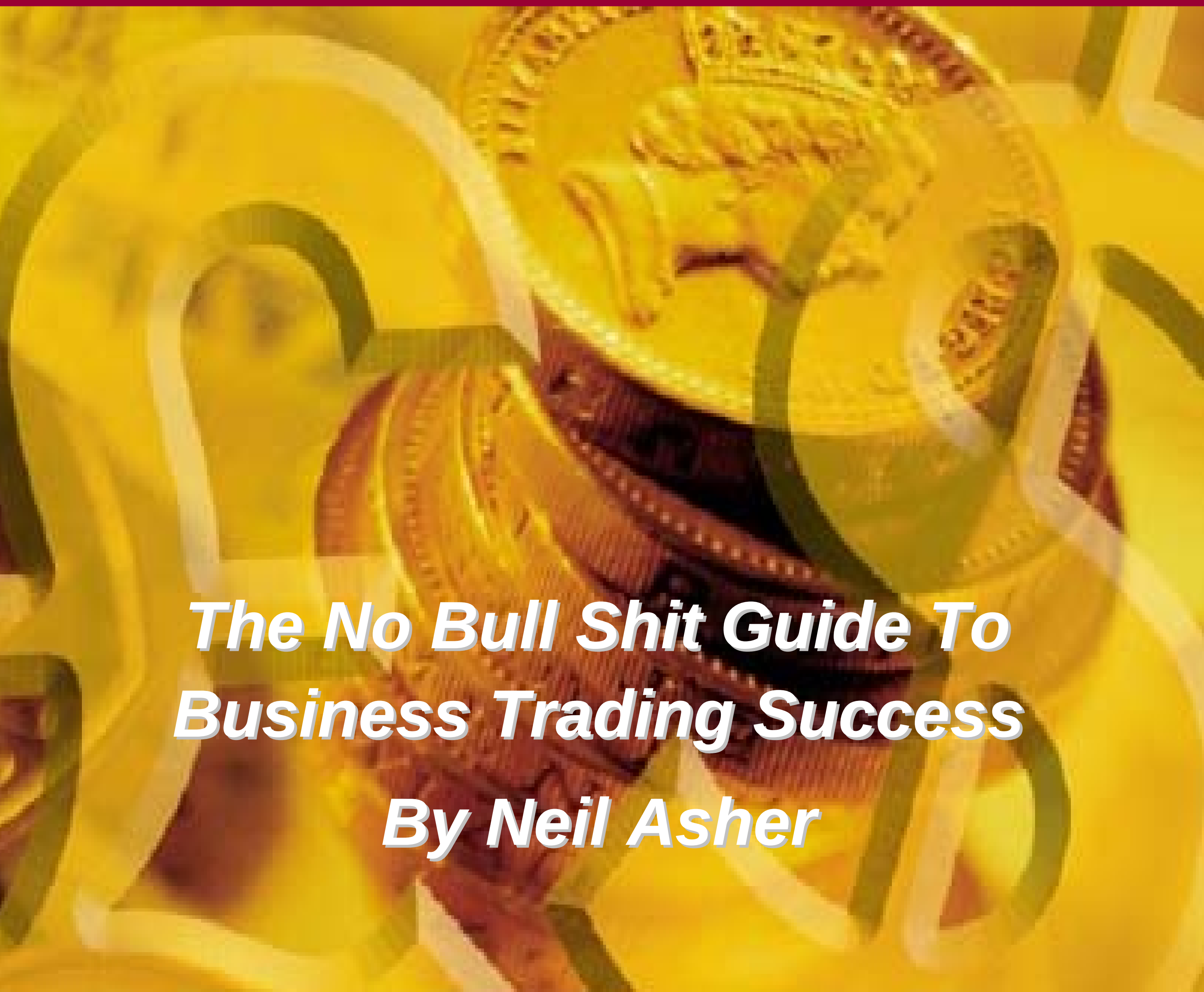
How To Buy A Great Business With *No Money Down!*



The No Bull Shit Guide To Business Trading Success

By Neil Asher

For my wife Natasha and Daughter Isabella who are the inspiration for what I do.

I could not have written this book without the great people I have been fortunate to share this information with through my advanced courses and mastermind groups. You all Rock! And special thanks go to the following people for letting me use their acquisitions as examples throughout this book.

Jonathan, Sean, Sandra. Martin, Bill, Andy. Sharon, Carol, Anne, John, Graham, Asmeed, Theo, Con, Allan, Neil, Dan, Kelly and Wayne. Thanks for applying what I taught you.

“Praise” For This Book

“This book is genuinely disturbing; if half the stuff Neil talks about is true then it’s a sad indictment on the business world” -

“Anybody who thinks that using call girls to do due diligence on potential business purchases is in my opinion devoid of any shred of morality and should not be allowed to own, operate or teach in business” – Business Brokers Society

“This guy is a first class asshole” – international association of business intermediaries

If you want a feel good business book don't buy this, if you want to know how the business world actually works then you have to get this” – Mark Anastasi – business multi millionaire

“I cannot be the only one that thinks this is the ballsiest book I’ve ever read on this subject” – Finance Director Angel Capital

“Morally and ethically abhorrent” – NSW chambers of commerce and industry

“Please Neil at least take out the part about the hookers!” – Publisher

“Do not buy a business until you’ve read this, Neil’s style pulls no punches and the information within it is absolute gold” – Steve McNicholls

"Pure Gold!" - Stephen Cooper - UK's No 1 Turnaround Expert

"This book should be required reading for anyone who is buying a business" - Mike Tilford - British Chambers Of Commerce

"WOW at last a book that tells it like it is, the style is not for everyone but the information contained within this book will change the way you look at business" - Alex Wardle inc 500 entrepreneur

Bad boy copy right notice or how to enter a world of pain if you copy my material.

Here's the deal if you steal my stuff I'll have my lawyer make your life a living hell, I mean really, go write your own material and if you want to use mine then simply e-mail me neil@neilasher.com and I'm a nice guy, if you're nice to me, so I'll no doubt let you use some stuff anyway as long as you simply say it's mine, fair enough?

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Chapter 1

Are You Sure You're Ready To Learn?

If you think being educated about business trading from a guy who screwed up an $8 Million a year business is a bad idea", this is not your book.

If you think learning how to make millions of dollars from a guy who lost everything in a brutal lawsuit- practically making him almost homeless- is a bad idea'.. This is not your book

If you think discovering how to live the "good life" from a guy who almost lost his wife through being an asshole is a bad idea… again... this is not your book.

But if you are looking for the real... the genuine... the no bullshit way to become filthy rich- and at the same time- avoid any of the pitfalls massive success comes with, this will be the most rewarding book you'll ever read.

You see, I've built, bought and then sold 15 multi million dollar businesses in the last 5 years using the very same techniques I'll reveal to you in this book.

I've also nearly lost all of my fortune being stupid with my success; I'm going to teach you how to make tons of money- and just as importantly... I'm going to show you how to keep your millions in your bank by not being stupid like I was.

This is my first major book. I am not an accomplished author so this book will have some flaws- If you read for style, or for literary quality, like I was saying before, this may not be a book for you.

But there are paragraphs in this book, ideas in this book, whole chapters in this book that I have never had the balls to put down on paper before! And they will open doors to you - maybe as soon as tomorrow - that otherwise might have taken a lifetime of waiting for you to walk through.

So just a couple of points:

This is gonna be one of those No bullshit here's how it actually is type books rather than a here's how it ought to be if the world was viewed through rose coloured glasses type books, so I apologize in advance if I offend your sensibilities.

I'm not here to make you feel better. I'm here to help you make the oodles of cash that is available to you as a business buyer when you use none of your own money to do it.

Right now... I'm sure you're sceptical as hell. You may even be thinking to yourself that you have bought the diary of a megalomaniacal madman…. You have ;-)

But let me make you a small promise:

Give me a few days.

Read this book.

You will never be the same again.

Once you learn what I have to teach you... unless you somehow lose your entire memory, it would be impossible for you to ever be "ordinary' again - It would be impossible for you to not know how to make tons of money - starting with virtually nothing as I did just a few short years ago.

You'll walk down the street and see nothing but opportunities.

I hope you'll give me the benefit of the doubt with my promise.

If you do, please read on - But if you can't cast-aside your scepticism, please do not waste any more of your time reading any further.

Unless you believe in me - this book will be worth nothing to you, and truthfully, believing in me is the first step to believing in you, which, as you will learn, is all you really need.

Anyway, before we jump into this thing with both feet... let's get acquainted. Maybe I should tell you a little about myself, where I grew up and where I came from.

So Neil's business resume:

I come from a working class family from Nottingham, England. I have 2 older sisters and 2 younger step brothers, my parents divorced when I was 11 … I was devastated and promptly decided to show my unhappiness by flunking school, I left school with 3 GSCE's and only made it to grade 10… when I left the teachers, I believe, celebrated with champagne.

I went to catering college to learn a trade and did well… I like to eat. So when I left, I embarked upon a career as a chef:

- Washing pots and pans in a kitchen £3.50 an hour
- Plucking game birds and peeling vegetables in a kitchen £4.00 an hour
- Cooking starters, deep frying chips and getting shouted at a lot £5.00 an hour
- Cooking main courses, making sauces getting shouted at a lot £8.00 an hour
- Organizing the staff roster, ordering food getting shouted at a lot £12.00 an hour
- Planning menu's working out food costs doing a lot of shouting £20.00 an hour
- Owning my first restaurant working 100 hours a week for £0.00 an hour
- Going broke
- Owning my second restaurant
- 100 hours a week paid myself £200 a week = £2.00 an hour

- Having an epiphany and realizing I loved to help people.
- Staying in the same job I hated… 2 years.
- Finally having the balls to give it a go and retrain…. Priceless ;-)
- Spending well over $200K (I didn’t really have) to retrain and learn from the best I could find
- Working as a life coach for myself $250 an hour
- Owning my first business - Millionaire
- Going broke from growing to fast (zero to 8 million dollars in 2 years flat) - - minus $0.00
- Owning my second business – Millionaire
- Franchising that business in 4 countries of the world – more lovely money
- Selling it - multi millionaire
- Buying and selling businesses for a living from his homes in Australia and England (I don’t like winter so I live in 2 countries)…. Here we are today.

I don’t tell you this to impress you but rather to impress upon you that I am just like you…. Maybe our stories are different and the people in our lives are different, but if you’re working for someone now or you’ve been broke or you have a real desire to make more of your life… we’re kindred spirits.

And hell,

if a high school drop out from Nottingham, England, can do it living in Sydney, Australia, then so can you.

OK second thing to take notice of is the difference between working for someone, working for yourself and owning a business. Now if you think working for yourself is the same as owning a business think again!

Working for yourself is exactly that, working in your own business. Owning a business is getting other people to work in the business for you.

If working for yourself and doing everything yourself is what you want then I say go for it. I’m not here to preach my way is best. If you want to get rich (in money) then owning a businesses and working for yourself and preferably owning multiple businesses is the way to go.

and if right now you’ve got nothing more than a job… I hear ya!

It can be done, is it easy?

NO.

Is it simple?

YES.

Will you be able to do it?

It depends on you, and before I get all tree huggy on you here's the simple test I've devised that will tell you if you're cut out for the entrepreneurial world of business trading. Simply, will you let yourself try something when you think you might fail.

If you will… Hurrah! You might just have a chance.

If not, then by all means read this book, I mean you paid for it with your own cold hard cash. But the reality is you're better off in the safety of a job.

The Delphic oracle said it best "Know Thy Self, Be Thy Self, Love Thy self".

I have seen many many great, talented, intelligent people, torture themselves by trying to be something they are not.

The Buddha said that the cause of all suffering is the desire to have that that is unobtainable.

For me, that means, in this context, that if you desire to make oodles of cash and get rich as a business trader YET you love security, spending time with your family and can't stand the thought of failing at something then you have a MAJOR problem.

So again, I don't want to get into this here as you can learn how to know yourself and love yourself just as you are from countless other authors far kinder and smarter than me. For my money, seek out Dr John F. Demartini… if there ever was a true iconoclast of human thinking it's Dr Demartini.

OK enough of my bullshit.

You still with me?

You are, how swell, then lets go make some money.

Nb all references to money are gonna be in dollars $ just because it's easier to work in the one currency, I do however teach and buy and sell businesses in the U.K. South Africa and Australia.

Chapter 2

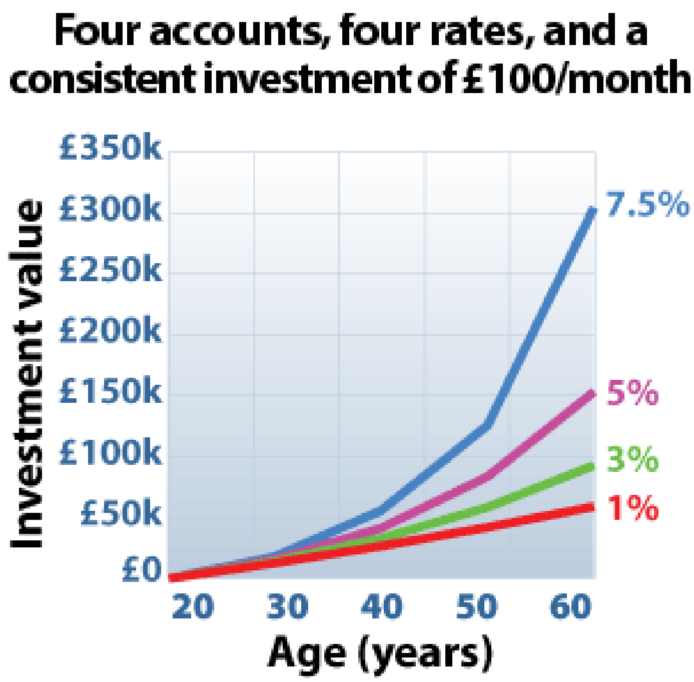
Why Buy A Business Rather Than Build One?

You will, if you've read a lot of books, have no doubt heard, a lot of great reasons to own a business, from taxation benefits to the freedom owning a business gives you.

For me however the No 1 reason to own a business is very simple, leverage.

It is leverage that makes you rich or keeps you poor and leverage simply means increasing the amount of money you make from the money you invest.

Here's a very quick example of the difference between investing just a hundred bucks a month at 1%, 3% , 5% and 7.5% over 30 years.



Startling right?

Let me tell you, owning a business is the ultimate form of financial leverage.

You see a business gives you the opportunity to have money come in for products or services, for you to then take that money, and use it to create more money.

It's Like Having Your Very Own Money Tree!

- Suppliers give you credit and make your products
- You market and sell those products
- Products sold at a profit = Cash into the business
- Take the cash and use it to buy more marketing, selling and fulfilment for products
- Make more money
- Pay back suppliers

So as you can see your job is to do 2 things with a business:

Creatively leverage the cash that you have in hand so you get the highest (and safest) return.

Optimize the leverage points within your marketing so that you maximize the amount of money you get coming into the business.

(for a brilliant piece of work on leverage and business function see Benjamin Graham – The Intelligent Investor, in the further reading at the back)

Now if you have a job you are simply unable to control this process or to really profit from it.

Unless your pay is linked to the performance of the company as a whole, but then who the hell wants their income at the mercy of people who don't perform in the company!

And remember the guy who pays the wages based on performance makes A LOT more money from you than you do from him…. That is his right as the guy running and owning the business.

Simply put,

Having A Job Sucks If You Want To Get Rich.

So why not start a business?

Here's some facts you've no doubt heard:

80% of businesses don't make it past the first 2 year mark.

Of the 20% remaining 80% of them don't get to five years.

So if 100 businesses all started on the same day, five years later just 4 would still be open.

So the first thing to realize is the odds are stacked against you when you start a business.

Second it costs A LOT of time and money to make a business work , untold thousands in marketing, training of staff, building a brand, creating a customer base, developing a good reputation, industry recognition, creating the systems so the business works, testing marketing, getting awards the list goes on and on.

The long and short of it is this, it is very expensive to make a business work.

The business owner has to plough hundreds of thousands of dollars back into the business; they are hungry for cash when they are being built.

In general if you speak to a business owner they will tell you they didn't even draw a salary for the first 2 years of business start-up.

But when they are built, and they are working well…. You can harvest the rewards.

And best of all for you as a buyer none of that money that the owner spent to build, nurture, grow and develop her business will be redeemable when they come to sell it!

That means you get it for FREE and you save yourself years developing and perfecting the business.

And let me tell you, time is money.

Warren Buffett knows this well, Warren says "When I spend a dollar I never see it as 1 dollar, as I see it as 1 dollar plus the money I'd make when I invest it into a business then let time do it's work to compound my investment."

Have you read any of Warren Buffett's books or materials?

If not, start now – go here and download all the Berkshire Hathaway annual reports for free http://www.berkshirehathaway.com/letters/letters.html

If it's good enough for Warren Buffett it's good enough for us, right.

Note – read the books by Warren Buffett mentioned at the end of this book, they're the best works on his business buying philosophies and techniques.

Warren Buffet is a master at buying businesses with none of his own money, his is a very creative way, wanna learn how Warren does it? Then read on….

So the path to untold wealth lies fastest in business, and here's why:

Using my techniques you'll be able to buy great businesses with none of your own money, you will learn how to do a Leveraged Buy Out (LBO) it's exactly the same principle as buying a house for say $500K but instead of you putting a 10-20% deposit down to get that house and then the bank financing the rest you creatively buy the house with no money of your own so you control the house then after 5 years you have paid for the house in full and you've made $500K in equity.

BUT

Not only have you made $500K in equity but you've also earned an income from the house to the tune of $100K a year and using value adds you've increased the value of the house so it's now worth 1 million.

Giving you a total return over the 5 years of $1.5 million or $300K a year… not bad eh ;-)

But it doesn't stop there.

You see if you knew you could buy a house for free and make $1.5 million after 5 years how many houses would you buy?

If you said 1 put this book down and go shoot yourself there's no helping you, if you said as many as possible we're kindred entrepreneurial spirits!

So are you with me when I tell you that the real road to wealth lies through leverage, and the single best form of leverage is a business?

Because right now, in your town or city is a prize that once you claim it will change your financial destiny for ever more. Right now there is a business for sale, a good stable business, that the owner needs to sell, and you just might be the answer to their prayers.

And for those of you who are not sure if <u>you can do it,</u> or if <u>you're good enough to pull this off</u>…. Here's a thought.

When you buy a business with none of your own money it is not you who is judged, it is the business.

Let me explain,

You can be of any descent and suffer O% racism, a business does not care.

You can be male or female and suffer 0% sexism, a business does not care.

You can be young or old and suffer 0% ageism, a business does not care.

You can be straight or gay and suffer O% homophobia, a business does not care.

You can be attractive or ugly and suffer 0% lookism *(is that a word?)*, a business does not care.

You can be a midget... a gimp.._ bald... fat... cock-eyed... butt ugly... toothless... have bad breath... etc. None of this will affect your chance of success in business.

A business does not care.

You can be a high-school drop out, like I was, and with the right deal you can run circles around the Harvard MBA's in fact with the right deal the MBA's will be the ones working for you.

And guess what's best of all about what I'm teaching you… you can be sitting in your one bedroom, roach infested basement apartment right now but as soon as you craft the right deal, buying the right business, from the right people, for the right price, and at the right time in his or her life... you can be in possession of a business worth millions of dollars and it will literally not cost you a single cent to own it!

Seriously, is that not the single most exciting prospect for the future of your financial freedom?

Let me ask you a question, and it's an important one, so think about it.

If you knew that after researching and studying the market, applying what I'm going to teach you and actually getting out there and talking to some business owners you'd be able to take possession of a great business earning loads of cash without having to have any of your own money, would you take the time to practice and apply this information?

You would! Ok then, let's get started at the beginning.

Chapter 3

How To Find A Business

" How the hell do you find someone who wants to sell you their business for free?"

This is the most common question I hear when I teach people how to buy businesses or when new business brokers join my company:

Let's play a game to find out:

Imagine that you're single, or married and acting single ;-)

You're looking for a date.

You have an idea of the sort of partner you want and you've written a list of what they're like:

- Attractive to look at (whatever that means to you, or whatever is in fashion at the moment)
- Takes care of the way they look
- Professional
- Well educated (by university in this instance)

Now that's not much of a list is it?

But even from that crappy little list you can begin to get an idea of a few things;

This sort of person would probably spend some of their money on clothes, beauty treatments, go to the gym etc
They'd work in the city (most professionals do)
They'd belong to an Alma matter and probably some professional bodies.

NB – for the best god damn advert I ever saw to attract a lover go here and have a read.
http://www.neilasher.com/hot_sexy_woman_wanted.htm

So if you were looking for this sort of person where would you look?

Would you look; at the yacht club (maybe), yoga (probably not), the gym (yes), coffee shops in the city (yes), spa's (yes), networking clubs (yes), the local coin op launderette (no).

Get the idea?

So first things first, you've got to fish where the fish are as my dad used to tell me.

So where do our particular variety of business fish live?

Well to answer that here's a question.

Why do people sell their businesses?

Here's what I've discovered as a business trader are the top <u>7 REAL reasons people sell</u>, in order of importance.

1. They are sick to death of the business and just want out of it.
2. Divorce
3. Partnership dispute between people within the business
4. They need the money for something important, college money for kids, medical attention, another investment etc
5. Sickness of the owner and no decent kids, or lack of interest from the kids to take it over
6. The owner senses the market is changing and believes the business is going to drop or knows that a big change is happening in the area, such as a big store moving in etc
7. It is a part of their retirement planning to sell.

As you can see the top 5 reasons are reasons of desperation as I would call them, i.e. they HAVE to sell.

Reason 6 is financial acumen, and would be similar to having a car, taking it to the garage and the mechanic telling you it needs a couple of thousand spending on it so rather than spend the cash you decide to sell and let someone else discover the problems and spend the money…. If you're sitting their telling yourself you've never done anything like that before you probably lie about other stuff as well!

Only No 7 is a smart, well thought out and executed plan. It is however **VERY VERY** rare that you find such people, more often than not when I talk to my business brokerage clients they tell me some BS to start but as I get to know them the truth comes out and invariably it's one of the top 5.

You may want to think about that when you come to sell a business…. People who have no goals are destined to be controlled by people that do.

OK, so now you know WHY people sell, how on earth does that help you to find them?

Well, if you can find one, a good business broker will be invaluable. I say a good one because there are many brokers who believe that the way to sell a business is to put an advert up on a website and wait by the phone…. Strangely enough you'll find lots of businesses with a similar strategy for getting customers… more of that later.

Good news for those people like you who know how to market their services, you do know how to market your services right?

If not don't worry I'm going to teach you ☺

But anyway a good broker will have a list of businesses that he or she has listed for sale; they've done the hard work of understanding the needs of the seller and the reasons why they want to sell.

They'll be open to creative strategies to finance the business and MORE importantly they'll be able to negotiate on your behalf to creatively finance the business, you'd be amazed how many brokers have not got a clue about this… when I go to business meetings and meet other business brokers I'm often looked at like I'm an alien!

In fact one business broker who shall remain nameless (Adam) told me I was ruining it for everyone by teaching this information!

I assume "ruining it for everyone" means putting an end to the cosy old boys club that over charges and under delivers….

Anyway, I digress.

So If you can find one, get a great business broker, naturally all my team of business brokers at Aussiepreneur are smart and up to date with creative strategies and will do everything they can to help you purchase the business… they're income depends upon it!

As does a part of mine.

BUT, if you cannot find one of my team in your area then **a.** consider contacting me to find out more about becoming an AussiePreneur business broker *(more on this later P:162)* or **b.** do the work yourself.

Here's what to do:

I want you to go to the post office and buy the following:

100 DLX plain white envelopes, the ones where you peel the tape to seal it instead of licking them.

100 First class stamps, again the peel and stick variety rather than the lick and stick ones.

1 ream of A4 white paper

OK you have your basics.

You'll also need a computer (if you don't have one get the hell out of the Stone Age! Or you can borrow one, usually for free, at the library)

A printer (see above if you don't have one… Luddite)

Microsoft word or similar.

A phone book or the internet

Now go to your phone book and get the names of 100 businesses in your area that you'd be interested in owning. If you're not sure what you like try writing down a list of what you enjoy. If you don't enjoy anything write a list of everything you dislike and pick the opposites!

When you have a list of 100 businesses mark them all in the yellow pages then call the business and say this:

Hello my name is (insert your name) I have a very important letter I'd like to mail to the owner of the business regarding a personal matter, may I ask what the owners name is please?

If they ask why you want to know, say this "are you the owner of the business?" if they are tell them you're interested in buying the business and you'd like to send them a formal introduction, they'll give you their details quick smart.

If they are not the owner say this "I'm sorry this is a private and confidential matter, I'm not at liberty to disclose this sensitive information with anyone but the owner, so could you let me know their name so that I may mail them a letter"

If they still refuse – "Then could you put me through to the owner so that I may inform them personally a letter is coming to them?"

If you still get no dice – pick another business!

So now you should have a list of all the businesses you're interested in, they're business names and addresses and the owner's name:

Like this:

Joe Shmo
Some Business
Some building
Some street
Some city
Someplace

OK next, type out the following letter on your computer:

Dear (this will be where you will insert their first name),

I am actively looking for a business to buy in the area; I'm looking for good stable businesses which have been operating for 3 years or more with good cash flow.

Does your business fit this description?

If so, may I enquire if you've considered selling your business?

If you are interested in selling your business I'd like the opportunity to meet with you and introduce myself.

I'm a professional investor not a business broker and I assure you of the utmost discretion in all our dealings.

I can be contacted on either my phone – (give your phone) or via e-mail (give your e-mail)

I await your response,

Kind regards

(Your signature)

(your name)

Simple enough right?

Simple but very effective!

Here's something you need to know….

Every Business Is For Sale!

At the very least you will pique the business owners interest and they may never have thought about it, but that night they'll go home and whilst lying in bed with their spouse say "Honey, I got a letter today from someone who's interested in buying our business…. What do you think?"

And the seed will be planted.

It is not uncommon to get 50 people contacting you, all wanting to meet you and discuss you buying their business.

This is where the fun starts!

Now you enter the make or break part of the deal, you have to negotiate your way into the business with no money of your own going into the deal.

To do that you're gonna need some serious information about the business so you can ascertain 3 VERY important things:

1. Is it the right kind of business for you to buy

2. Will you make money in the business

3. What is the best way to creatively finance the business

And for that you're gonna need to do your due diligence.

Chapter 4

Doing Your Due Diligence

Now that you've started down this path the word will get out that you are in the market for businesses and you will be sought out by people with businesses wanting to sell you the next Microsoft/boost juice/Yo sushi/Dell etc.

So you're going to want to become very adept at screening out the trash from the treasure. So I've developed a fast and effective way to quickly and easily determine what's hot and what's not.

These procedures and systems will help you to determine whether an in depth analysis is warranted and also help you to avoid missing a great opportunity from premature rejection.

A business should qualify for further investigation if three initial conditions are met.

1. The business is located in an acceptable geographic area.

2. The business can produce satisfactory profits.

3. An acceptable lease is available.

The business should not be rejected hastily because existing sales or profits are low. You may, for example, consider $500K sales or profits acceptable. So should this eliminate businesses that are currently only making $300K? later on we'll discuss tested ways to double and triple profits in a business but for now suffice to say that profits in a $300K business turnover (T/O) can be more than profits in a $500K T/O business. We'll discuss this further in this chapter.

Equally important, an unfavourable asking price, down payment or even financing should not discourage you from pursuing the business if the business is other-wised qualified for further examination.

These terms are best left for the negotiating table, and remember you never know the deal you can strike until you try, and the time to try is <u>AFTER</u> you decide you want the business.

The Business Analysis An Overview:

The importance of thorough analysis of the seller's business cannot be over emphasized. A carefully planned and comprehensive business investigation will help you to:

- ✓ **Verify** the sellers representations about the business;
- ✓ **Determine** the true value of the business;
- ✓ **Detect** serious pitfalls and problems;
- ✓ **Forecast** the true potential and future of the business;
- ✓ **Negotiate,** by pinpointing problems the seller may have with the business;
- ✓ **Finance** the acquisition through analysis of the legal and financial structure;
- ✓ **Protect** yourself by uncovering items requiring special attention in the purchase agreement;
- ✓ **Plan** the future business by highlighting areas of operation weakness and strength.

Investigation procedures vary greatly depending on whether the business is a manufacturing, retail or service operation. Other factors also influence the scope of the investigation: the age and reputation of the company, reason for sale or acquisition, required investment and your prior familiarity with the business.

Obtain assistance. Unless you have a solid experience in the type of business you are acquiring, you need outside help. Never try to evaluate a type of business you know little about as there are too many pitfalls you may overlook. Hire a consultant, accountant or industry insider who knows this type of business.

You can very simply approach suppliers in the industry tell them you are looking to buy and they will be a wealth of knowledge about what is for sale, who is in trouble and what to look for.

Alternatively look for an owner or manager in a non competing business, either geographically or demographically, and ask them for help… you will be amazed how willing people are to help you if you are eager to learn.

Coordinate with you advisors. Map out an investigation strategy with your accountant or lawyer. Your accountant will be able to pin point financial deficiencies from the basic information you get and your lawyer will be able to go through the lease for you to check its soundness.

Protect confidentiality sellers are rightful concerned about confidentiality and this MUST be respected. Ask in advance whether you may approach sources such as suppliers, customers and employees, bear in mind the seller may hesitate to allow you access to trade secrets or other proprietary information unless you sign a non disclosure document.

If a seller will not let you near suppliers etc then be wary, if you MUST buy *this* business then you may think about adopting the three stooges (see later chapter) approach to dig deeper without damaging your reputation to the seller.

Check outside sources. Evaluating a business can seldom be accomplished only through analysis of the seller's records, plant inspection or other disclosures by the seller. While this information is important, look to outside sources to confirm facts. Talk to suppliers, customers and employees (see more on this in a later chapter for 'creative' ways to do this), ask about the reputation of the business within the trade. Check with credit reporting companies, no source is too unimportant to overlook.

Work the business. The best way to evaluate a business is to work it. Checking books and records alone won't show you the real inner strength or weaknesses of the business. However by working within the business you'll be able to see first hand how loyal customers really are, what employee moral is like, how efficient the operations are, and the countless other tricks, secrets and gambits that are part and parcel of every business.

A seller may readily agree to your request to work within the business once convinced you are a serious buyer, particularly if there is a basic agreement on the terms of the sale and you agree to keep confidential the true reason for your "employment."

Demand complete disclosure. A final word of caution – never buy a business unless the seller is willing to disclose fully information to fairly evaluate the business. Should the seller refuse full disclosure, try to find ways to solve any concerns they may have, BUT never buy unless you have had access to all the information you and your advisors need.

THE BUSINESS ANALYSIS A MASTER CHECKLIST:

How do you check out a business? To seriously investigate the business, prepare to sift through a mass of information in twelve key areas, probing the following questions to the extent applicable.

1. Product Analysis:

- What is the description of each product line?
- What is the relative importance of each product line?
- What is the market share for each product line?
- What are the growth trends for each product line?
- What is the anticipated longevity for each product line?
- Who are the principle competitors for each product line?
- What is the market share held by each of the seller's competitors?
- Are the product lines complete or are additional or "tie in" products needed?
- Are sellers' products licensed or subject to license rights?
- What product planning is in process by the seller?
- How stable is each product line?

2. Customer Analysis:

- Who are the major customers?
- What is the aggregate dollar amount of sales to each major customer?
- How long has the seller sold to each customer?
- Are customer dealings subject to contracts, if so how long, and what terms?
- Are customers likely to remain with a new business owner?
- What percentage of sales is sold to foreign, military, or government customers?
- How financially stable are each of the major customers?
- Is repeat business increasing or decreasing?
- Is repeat business comparable to industry norms?
- Is there any evidence of threatened loss of a major customer?
- What pending or future orders exist or are anticipated?

3. Sales Analysis:

- How are sellers products marketed?
- What percentage of total sales is allocated to each sales or marketing method?
- Is the external sales organization well organized?
- Is the internal sales dept well organized and sufficient in size to handle present business? Projected volume?
- Are total sales and marketing costs comparable to industry averages?
- Is the sales dept performing effectively in terms of cost and in relation to sales targets?
- Are sales people salaried or commissioned?
- Does the salary compensation program provide sufficient motivation?
- Are territorial allocations proper or are new territorial allocations needed?
- Are the sales staff adequately supported by advertising?
- Are the sales produced by each sales person acceptable, if not, why not?
- What changes are needed to sales to facilitate new products or markets?

4. Advertising Analysis:

- Does the seller have a formal advertising or promotional program?
- Does the advertising program feature institutional advertising or direct response advertising or both?
- Is the advertising mix appropriate?
- How does the sellers advertising costs compare as a percentage of sales to industry norms?
- What is the ratio of advertising costs to sales for each product line?
- Is advertising handled internally or buy an outside agency?
- Is the advertising agency under contract, if so what terms and how long?
- How long has the advertising agency represented the company?
- How effective has the relationship been in producing sales?
- Are additional advertising expenses required to bring sales to an acceptable level?
- Are extraordinary expenses foreseen or planned to launch a new product or bring sales to an acceptable level.
- What changes will be needed by the acquirer of the business and at what cost.

5. Management Analysis

- Does the seller have a formal organization chart with clear delineation of management functions?
- Are the lines of authority and responsibility adequately defined?
- Is the organization structure appropriate for the size and nature of the business?
- Will the organization structure require major revision under the buyer's management?
- Are the sellers' major administration departments under or over staffed?
- Are executives rated on performance?
- Are key management on employment contracts if so what are the terms?
- What fringe benefits and prerequisites are available to management and personnel?
- How do the fringe benefits, compensation packages and prerequisites compare to industry norms?
- Does the total management compensation bear a favourable relationship to sales?
- Will key management remain with the company after the sale?
- Will any increased compensation be required to retain management after the sale?
- What is the morale among management personnel?
- What is the reputation of the sellers' management?
- Is the management centralized or decentralized, is the decision making split between executives or is one person responsible for most decisions?
- Will new management or additional management be required, are the available?
- Can poor performers be terminated reasonably easily without great expense?
- Are key personnel bound by non-compete agreements?

6. Employee Analysis

- Is the company unionized?
- Is there a threat of unionization or history of collective bargaining attempts?
- Is the industry traditionally unionized?
- Would a unionization attempt be successful?
- What is the nature of the compensation structure?
- Are the wages competitive within the industry?
- What percentages of employees are highly skilled?
- Can replacement or additional personnel in each job category be readily obtained?
- Can size of employee force be varied to meet production or sales needs?
- Do working conditions compare favourably to industry standards?
- Does the seller have an apprenticeship or training program?
- What are the sellers hiring policies and other personnel procedures?
- Does employee turnover compare favourable to industry standards?
- What employee changes are contemplated or required upon acquisition?

7. Research And Development Analysis.

- What is the nature of research and engineering development?
- What is the amount of research and engineering time spent on each of the seller's major products?
- What are the short and long term objectives of the seller's research and development program?
- How much is spent on research and development?
- Is this amount static, growing or declining?
- How does this compare with the rest of the industry?
- What new projects are in development?
- What projects appear promising?
- How many people are employed in the R&D department?
- How are they allocated between supervisory, technical and none technical personnel?
- How good has R&D been at developing new products and bringing them to market?
- What is the R&D's reputation within the industry?

8. Market And Competitive Analysis

- What are the demographics of the sellers' market?
- Is the market stable? growing? declining?
- Is the market existing or emerging?
- What share of the market has been captured by the seller?
- Is market share growing or declining?
- What internal factors will influence market share?
- What external factors will influence market share?
- Who are the major competitors?
- What are the relative strengths' and weaknesses the company has against its competitors?
- What future competitive changes are foreseeable?
- Is there any pending or threatening legal enactments to influence product demand or competitive advantage?
- What contemplated or required changes are required to maintain market share and competitive position?
- What are the short term and long term growth prospects of the company?
- What expenditures are required to achieve possible growth? Required growth?

9. Facility Analysis.

- Is the location stable?
- Is the location advantageous to reach the market?
- Does the plant have proper space for present needs?
- Can the plant be expanded to accommodate future growth?
- What immediate renovations or improvements are required to improve efficiency?
- Is the plant adequately served by public utilities, transportation and shipping?

10. Lease Analysis.

- Are the facilities leased or owned?
- If owned is the property included in the sale?
- Is there a possibility of a sale and lease back if the premises are to be acquired?
- If the property is leased does the lease have sufficient term remaining to justify investment?
- If lease terms are unacceptable, can the business be readily relocated at a reasonable cost?
- Will the proposed lease have reasonable rent on a square metre basis and as a percentage of sales?

11. Material And Equipment Analysis.

- Is there a list of furniture, fixtures, machinery and equipment?
- Is the equipment owned or leased, if leased, what are the terms?
- Is the equipment in good working order?
- Is the equipment suitable to manufacture different or other none related products?
- Is new equipment required, if so, at what cost?
- What is the appraisal value of the equipment and other capital assets included in the sale?

12. Inventory And Purchasing Analysis.

- Is there a list of present and past supplies to the company?
- Are inventories adequate, overstocked or depleted?
- What additional inventories are required to bring the business to full potential?
- What percentage of inventory is shop-worn, obsolete or otherwise unsaleable?
- Is inventory of the appropriate mix? Does the company have advantageous terms?
- Does the company have open credit or restricted credit?
- Is the company obligated on purchasing requirements or vendor contracts?
- How long have vendors done business with the company?
- Are vendor relations good?
- Are alternate sources of supply available on equally favourable terms?
- Are the suppliers related to the selling business?
- Do the prices paid compare favourably with prices paid by seller?
- Does the company rely on any one supplier and can the continuity of supplies be assured?
- Are purchasing procedures well organized and functioning properly?

For a full list of these questions in word format so you can simply download them rather than typing them all out **go here**

Nb this list also forms the basis for points to bring up when you are negotiating the price/terms of the acquisition. The more thoroughly you do this the lower price you will pay and the better business you'll ultimately acquire. ALSO the more you know about the business the more the seller will respect and trust you which is VERY important when negotiating no money down terms.

INTERPRETING THE RESULTS

Your business investigations will no doubt uncover some hidden problems, it always does, you'll get a mixed bag of results with some things being better than you expected and others worse.

Let me say right up front after looking at hundreds of businesses for sale there is no such thing as the "perfect" business; they all have good and bad. So my advice is to summarise your findings and then weigh the relative strengths and weaknesses of the business against what you want and also what else in on the market, I have seen many buyers with unrealistic expectations of what they are going to get.

If it was perfect it wouldn't be for sale….. and "perfect" just means perfect as judged by your own needs, wants and values.

BE OBJECTIVE!

This is a financial transaction; does the acquisition work on paper? Does the business pose any unsurmountable problems? Can it provide you with the income growth you desire?

I would rather own 10 'ugly' businesses that made me half a million each than one glamorous one that made me nothing.

Think about that, then ask yourself why you are actually getting into business again.

Ok up next some examples of due diligence nightmares and scams that I've seen when unscrupulous sellers offer their businesses to uneducated purchasers.

Chapter 5

How To Avoid Getting Ripped Off Or Buying A Lemon

First up a caveat, well not so much a caveat as a reality check.

If someone is committed to defrauding you they will do it, no matter how hard you look they will find a way. Just this week I see a guy in the states has defrauded investors out of $52 Billion, yes, Billion dollars.

This level of money tells you that some pretty damn smart people were involved. People a lot smarter than you or me with numbers had the wool pulled over their eyes.

So use your common sense.

Second up think about this from the business owner's point of view. I can tell you of many many cases where a business has been stolen right from under the nose of an unsuspecting business owner by a tosser in a suit who just wanted to see "the financials for the business and a few bits and bobs", before going right across the road to compete with the business owner and taking all the sensitive data he'd gleaned and putting it to good use in his own business.

So due diligence is done not only on the business by you as the buyer BUT also on you by the seller, you must work hard to gain the trust of the seller, my advice is to be truthful… bullshit stinks from any distance and most entrepreneurs I know have got a built in BS detector that will smell your shit a mile off.

Plus if you tell the truth, life is much much better in my humble opinion.

OK so we're gonna cover how to gain the business sellers trust later on when I talk about negotiations so for now lets concentrate on some common scams that unscrupulous business owners do.

First up the financials, all businesses are bought, sold and run by the numbers; those that aren't don't stick around very long.

A quick story, I just purchased a new car, well not brand new because that's dumb in my opinion, so a couple of years old. Now I LOVE cars, I could literally talk about them all day, I watch the formula 1 religiously and then spend the night on the phone to my mates discussing the race.

BUT

I don't know squat about mechanics, you could literally put me in front of an engine and I couldn't tell you where the spark plugs go or the oil is checked, my dad calls me mechanical moron and he's right.

So when I go to purchase a car do you think I'm the best guy to look at the car and be sure I'm not buying two cars that have been welded together in some chop shop in the suburbs?

NO

I'm the worst person for that job. So instead I get Derrick who's a mechanic mate of mine to come along and look the car over or if he's not available I get someone else…. Anyone but me!

And so it is with business, now don't get me wrong I'm pretty handy with a P&L and a balance sheet and I can work out cash flow forecasts and return on assets with ease, but I'm not brilliant at it… I miss stuff all the time, even in my own business, and if you are not a professional… so will you.

So if you don't have a clue about profit and loss sheets and balance sheets I'd seriously advise you to get help with this. It will save you a fortune later to get this right up front.

A good C.P.A. will look over the P&L and balance sheet of a company for you for a couple of hundred bucks and it is money well spent.

Believe me once you own your business you own all the stuff you didn't see when you did your due diligence as well.

Oh, one other thing, when you're checking the business remember that unaudited financial statements are only as reliable as the person giving them to you, so if Sharon tells you that the business is growing at 20% a year….. go check.

Audited financials are better BUT there have been many many instances of a company that does the accounts or provides services for a business on a regular basis also doing the auditing, this is of course a huge conflict of interest and is a similar position to asking a bar owner if you should have another drink… not smart.

Be very careful you're not buying someone else's nightmare.

Other places to check, Dunn and Bradstreet, get a credit report on the company:

dunn and bradstreet

Make sure that the employees are being paid on time and that superannuation payments are being paid, this is always one of the first things to go when the shits hitting the fan.

Check the bank statements and just tally up some things from the bank statements with invoices etc just make sure that what is happening on paper is reflected at the bank.

"The bad news, is that this Company has lost millions of pounds. The good news is that none of it was mine."

Watch for channel stuffing, this is where a business owner who knows he is selling will basically give away his product and book the giveaways as sales made to inflate the revenue, you can spot this by looking at the sales figures and seeing if there are any spikes in demand, then asking the business owner about these spikes and then going to customers and checking the story.

So for instance, if John's BBQ wholesalers is telling you that he's just had a promotion and done a lot of advertising in the industry (check the ads) and that is why sales have increased 30% this past quarter then go to the retail outlets and confirm this, 9 times out of 10 they'll tell you that John has given them 'special' terms whereby they can have as much product as they want and only have to pay for it when and if they sell it.

As you can imagine if John's BBQ shop books these deliveries as sales that's gonna look great on the books BUT when you buy you'll find that no one needs any BBQ's cuz they've got a shop floor full of them.

Not good.

Next up $$$$$

My mate Scott Hallman says that

Turn Over Is Vanity

BUT

Profit Is Sanity.

In the financials this is especially true, every business owner wants to make maximum spondooleys for their hard work, BUT every business owner wants to pay minimum tax.

This, Sherlock Holmes, is a MAJOR problem. You will without a doubt run into businesses owners who tell you that their business is a CASH MACHINE!

Churning out cash faster than Britney spears churns through underwear.

The only problem is of course that he's not declaring the cash…. I'm not judging that…. But for you as the potential owner how the hell do you know how much he's making!

OK here's what to do:

Find out the suppliers of the business and call them, ask them to help you out and explain that you're thinking of purchasing XYZ business they supply (check you can do this if you've signed a non disclosure document NDA) and all you want to know is how much they spent with the supplier last month.

Nb, I have a friend who shall remain nameless who simply calls up the suppliers pretends to be a new book keeper and asks them to fax over the last 3 months invoices as the books are a mess!

I'd never advocate this but I've gotta hand it to him he's never brought a lemon yet.

So anyway get the information, now here's where you've gotta know the business a little, lets suppose you're thinking of purchasing a hot dog stall, well if you see that the seller has ordered 4000 hot dog buns for the past 3 months it's a pretty good bet that he's selling 4000 hotdogs at $3.50 a pop so he's making $14K a month in hotdog sales plus figure every other person orders a drink at $1.50 makes another $6K and so on.

Get the idea?

Now you'll also wanna do what Warren Buffett calls scuttlebutt on the business, this means actually going there and being a customer, go buy something and see what happens. If the customer service is crap be warned, if the place is busy make a note of it. Scope it out; spend a week basically spying on the place.

I've known of people who actually suss out a business they want to buy ahead of time and then pay someone to go work their for them and report back!

That's a little extreme but that's nothing to a guy I know who hires a high class escort to seduce one of the key employees (preferably the finance guy) and then ask lots of questions about his "interesting job" over dinner and a 'massage'!

Again I don't advocate you go to those extreme lengths you can get everything you need by simply paying attention to the business.

Let's see what other scams do I know people have fallen for…. Oh yes, the running two businesses scam.

This ones a doozy, here's what happens, one business is set up to be the profit making business and all the money going into the business is declared, then another business is set up and some of the money going out of the business is paid by the business instead, for instance;

Steve owns a bike shop that is not doing so well but he wants to sell it, so he gets his mate Joe to set up a company (Joes Inc) and then Joes Inc starts paying the wages for 2 of Steve's staff thereby reducing Steve's overhead by $60K a year which of course goes straight to the bottom line and inflates the business valuation.

And remember $60K on the bottom line can be worth 5 times that when you multiply it for sale or $300K.

Is that insanely easy or what?

Not only is it insanely easy it's also very very tough to detect, so again check your records, monitor the business and if you get the slightest hint that it smells of crap…. Walk away.

There are far too many honest entrepreneurs out there for you to worry about dealing with a low life that's out to rip you off.

The long and short of it is this – trust BUT verify.

If it looks to good to be true, it is.

EVERYONE will try to make their business look great so it sells for as much money as possible, expect it, don't fight it because you'd do exactly the same.

If you are unsure get help.

Chapter 6

How To Value A Business

Whilst there are many many questions to answer before purchasing a business none are as important as this one; “How much is this business worth”.

Both you and the seller share the same problem, namely, how to accurately value the business. So I’m going to teach you my personal business valuation strategy as well as a few hints and tips and pitfalls to avoid along the way.

Small business (less than two million dollars) valuations are extremely tricky, the valuation method is not an exact science, as no one valuation can deal with the multitude of variables within a business, thus valuation is ultimately a blend of guesswork, art form and math all of which have to be shaped into an ultimate value that both <u>you as the buyer and the seller can live with.</u>

So here are the top three problems to work through.

Lack of accurate records; small business virtually never have good books, so accurately depicting the turnover and profits is a nightmare and the only person who may have half a clue is the seller! And naturally he wants maximum money, so invariably he’ll value the business based on turnover and include the many perks and tax avoiding strategies he’s using to lower his tax bill. However if the seller is unable to prove a profit history the business deserves a lower valuation, consistent with the profits on the books or the proven profits of the business.

The emotional element; a small business is an extension of the owner, and so when an owner comes to sell she is in essence selling a part of herself.

She’ll remember the good times more than the bad, the times she fought to make it work, the bond she will have created with her customers and the team, and naturally she’ll want the highest price possible for her ‘baby’.

This is why most business owners grossly overestimate the value of their business. The subjectivity of the human factor does not, of course, alter the actual value of the business; when a seller refuses to sell at a reasonable price because of an emotional mindset it presents a big obstacle to an agreement on a fair price.

Projecting the future; the true and accurate value of a business is largely based on how much the business will earn under the buyer’s management. But accurately forecasting that is nigh on impossible. The business is often built upon the talents of the founder(s), their management skills and drive to make it work.

This may not be readily duplicatable by you, so you must look realistically at what you can achieve with the business. I can personally give you many many examples of businesses that have been acquired and then in a year doubled or tripled sales and profits and others without skills that have failed miserably. To the extent you are buying a financial future be wary of accurately portraying it.

OK so now you know what the problems are, here's five ways to actually value a potential purchase.

1. Asset Valuations: Calculates the value of all of the assets of a business and arrives at the appropriate price. This is the most common approach to value a business and this works particularly well for retail businesses.

A seller for example may believe her business is worth $100K based on $50K for inventory, $25K for fixtures and fittings at fair market replacement value and $25K for goodwill. Any other assets to be sold would be valued and added to the price.

This method does have limitations however not least of which is valuing the goodwill, everything else can be nicely tabulated, inventory can be counted, fixtures and fittings assessed but goodwill is an intangible that is tough to measure.

Good will is simply put the money that the reputation of the business will create in the future, you are thus back to forecasting (AKA guessing) to accurately value the business and remember that buying a business based on the value of the tangible assets alone is only smart if those assets will produce income otherwise they are worth nothing more than their liquidation value to you.

2. The sales multiplier approach: every industry has a rough formula that somehow translates into an approximate valuation. Supermarkets for instance are said to be worth the cost of inventory plus one month's sales. Small restaurants, deli's, coffee shops etc are usually priced at 3-4 months sales. According to industry reports chemists should be priced at 100 days sales. Now, obviously no sales multiplier method can take into account profits when done this way and as I mentioned earlier the rule is "turnover is vanity whilst profit is sanity" .

Go check out 10 different businesses in a given field and you'll see what I mean!

Sales are an important factor when valuing a business, but only when you project your expenses falling into line to produce those proportionate profits. In my view this method is a good guide to quickly weed through a lot of potential businesses BUT nothing else.

3. The comparison approach: This is an attempt to commoditize business values in much the same way that real estate agents have attempted to commoditize house prices. It's great for them but terrible for you when you've made your house different.

Few businesses are the same, even franchises are different with foot traffic, busy and quiet times, leases, cost of staff etc all making it hard to create a one price fits all approach, having said that a franchise is about as cookie cutter as you can get so it is certainly worth looking at other franchise sales for a guide valuation.

When you make a comparison it's likely to be on sales and as we've seen sales can bear little relationship to cash in your pocket. Again in my opinion steer clear of this unless of course you can demonstrate that similar businesses have sold for far less than the seller is asking for.

4. The asking price approach: this one is hilarious, here's the idea; "the business is worth whatever I say it is"…. Hilarious! Nothing could be further from the truth than what the seller would like to get for the business and the actual valuation of the assets. But sellers seem to believe the two are intrinsically linked.

The danger to fall into with this one is using the asking price as your starting price from which to negotiate. Buyers wrongly assume that the asking price must bear at least some resemblance to what the business is actually worth, and so think if they can get a 15% - 20% reduction they've struck a bargain. Not so.

My advice is start from the belief that the business is worth absolutely ZERO; then weigh every dollar you agree to spend against the actual profit potential of the business. Make the business work to get your money.

5. Book value approach: this is an accounting term which reflects the owner's equity in the business as shown in the financial statements. If total liabilities are deducted from the depreciated tangible assets (excluding good will), the difference is the book value of that business. This is a popular approach with large companies that are sold as a share transfer based on book value.

"No, business is booming - we just make the signs."

There are, however, two problems with this method. Again, the valuation does not reflect the profitability of the assets and normally the assets are valued at their depreciated value rather than fair market value. To understand the difference depreciated value says the assets have dropped in value at a fixed amount each year for tax purposes, but if you had to replace them you could get them MUCH cheaper by going to a second hand dealer or auctioneers.

Naturally you'd want them valued as cheaply as possible so the business was valued as cheaply as possible.

My Way: At AussiePreneur we value businesses based on what the business earns (seems obvious right).

The *owner benefits* amount is the total dollars that you can expect to extract or have available from the business based upon what the business has generated in the past. The beauty is that unlike other methods (i.e. the sales multiplier approach), it does not attempt to predict the future. Nobody can do that. Owner benefit is not cash flow! It is, however, sometimes referred to as Seller's Discretionary Cash Flow (SDCF).

The theory behind the owner benefit number is to take the business' profits plus the owner's salary and benefits and then to add back the non-cash expenses. History has shown that this methodology, while not bulletproof, is the most effective way to establish the valuation basis of a small business. Then, a multiple, based upon a variety of factors, is applied to this number and a valuation is established.

The Owner Benefit formula to use is:

Pre-Tax Profit + Owner's Salary + Additional Owner Perks + Interest + Depreciation LESS Allowance for Capital Expenditures

Why Add Back Depreciation?

Depreciation is an expense that allows a business to deduct a certain amount of money each year from an asset so that its purchase value is reduced by its overall useful life. As an example: if the business buys a $25K truck and its useful life is estimated at 5 years, then each year the company can deduct $5000 off its income to lessen its tax burden. However, as you can see, it is not an actual cash transaction. No money is physically leaving the business or changing hands. Therefore, this amount is added back.

Why Add Back Interest?

Each business owner will have separate philosophies for borrowing for the business and how to best use borrowed funds, if necessary at all. Furthermore, in nearly all cases, the seller will pay off the business' loans from their proceeds at selling; therefore, you will have use of these additional funds.

A Note About Add-Backs (Capital Expenditure Allowance)

After completing any add-backs, it is critical that you take into consideration the future capital requirements of the business as well as debt-service expenses. As such, in capital-intensive businesses where equipment needs replacing on a regular basis, you must deduct appropriate amounts from the Owner Benefit number in order to determine both the true value of the business as well as its ability to fund future expenditures. Under this formula, you will arrive at a "net" Owner Benefit number or true Free Cash Flow figure.

What Multiple?

Typically, small businesses will sell in a one to three-times multiple of this figure. Now, this is a wide range, so how do you determine what to apply? The best mechanism I have found is that a one-time multiple is for those businesses where the seller is "the business". In other words: "as out the door goes the seller, so too can go the customers". Consulting businesses, professional practices, and one-man businesses come to mind.

Businesses that have a strong track record, repeat clients, historical pattern of growth, more than 3 years in business, perhaps some proprietary item, or an exclusive territory, a growing industry, etc., will sell in the three-times ratio. The others fall somewhere in-between.

So now the big question: what number/multiple do you apply to the Owner's Benefit number? The answer is simple: nearly all small businesses will sell in the one to three-times Owner Benefit window. Of course this is a very wide range.

The Rules To Apply To Establish A Multiple

You also want to calculate the Return on Investment (ROI) that you can expect to achieve when buying a business. Let's say that the business is making $100K a year, simply put depending on what you establish as your ROI that business could be worth $400K (25% ROI) $300K (33% ROI) or even $200K (50% ROI)

If you go to the casino and let it rip on "17 black" well you should be entitled to enormous odds (ROI). Wouldn't you agree? On the other hand, if you invest it in commercial real estate, which is a solid, stable investment, then 10% return on your money seems about right, doesn't it?

Buying a business is clearly riskier than real estate but definitely not as risky as the casino option, so you should expect something in-between. I've always felt that 25% return on your investment should be the minimum and you can, if negotiated well, get as high as 35% - 50% ROI.

If You're New At This, Here's What To Do

If you don't know how to read an income statement, then learn. It's important for this process. It's simple, and can be done quickly.

Work with your accountant, if necessary, to determine the true Owner Benefits of the business. Be careful about the add-backs. Make certain that any benefits being added back are not necessary expenses needed to run the business.

You can only add back something that has been expensed.

Calculate a multiple in the one to three-times window based upon the business' strengths and weaknesses.

Determine your investment level and an acceptable ROI.

Understand that value is personal.

If the business is right for you, it is all right to pay a slight premium, but not too drastically overpay. Finally if you can get great times and the figures make sense and you've done your due diligence don't be afraid to pay top dollar for a business, in fact I've even offered to pay a higher price to get the owner to finance more of the business. Remember that you should not have to pay now for what you will do with the business in the future (potential) and that the price you will pay is determined by the owners need to sell, more on this later.

Chapter 7

Looking For Hidden Value

God I love marketing!

Believe me when I say that every business I've ever seen has probably had no more than 15% of what it could have had had the marketing been optimised efficiently.

THIS is one area where you can make a killing… FAST!

If you understand marketing you can literally double a business's profits in 90 days, without breaking a sweat.

PLUS I say double because the truth would freak out most people and they'd think I was even crazier than they already do ☺ I have however personally increased profits (that's the money you actually get to spend) by 600% in businesses in less than 90 days.

No where else in a business is this possible.

So here's my

11 Key Concepts To Boosting Your Sales, Cash Flow and Profits NOW By Turning Your Business Into A Customer-Focused Marketing Machine!

This is by no means everything you can do, however it's the top 11 fast ways I've seen to make BIG changes fast.

So here's a check list of hidden value to look for when you're doing your due diligence.

1. Do they have a database of customers, kept up to date and if possible e-mail and snail mail addresses.
2. Does the business have poor customer services and is still busy.
3. Are there complimentary businesses that are potential joint venture partners?
4. Does the business have poor marketing and use normal image and branding type advertising rather than direct response marketing.
5. See if none of the marketing is tracked so the results are unknown.
6. Does the business use guarantees, testimonials, are copy intensive benefit laden adverts used.
7. Check to see if the unique selling proposition (USP) is poorly defined and communicated with no real reason why that business is any different to any other business within that industry.
8. A great one to check is have the costs have crept up and also check the supplier agreements they may not have been re negotiated for years.

9. Are the customers up-sold when they purchase any products or services also check to see if they are then resold at a later date?
10. Are the staff poorly trained? What about the sales people are they motivated? Has the owner lost all interest in the business and the staff feel the same, are they all asleep and ready to be motivated by you!

This is my very quick ten point check list, this is not an exhaustive list by any means but this represents the greatest possibilities for fast profit creation.

So next let me go through some marketing principles with you and also give you some more in-depth understanding of some of the applications should you find a business with a few areas of hidden marketing potential.

WE DO NOT NEED TO GET SOMEONE IN TO HELP US WITH MARKETING OUR CHURCH AS WE ARE PERFECTLY ABLE TO DO IT OURSELVES

1. Understand This Truth: Marketing is Everything

To succeed in your new business, you need to attract customers. Not just first-time customers, but those who continue to buy from you on a regular basis.

It's "customers" that put you in business in the first place… and allow you keep your enterprise operating. Just the same, a lack of customers will force you out of business — in short order.

You can never actually claim to be "in business" until you first have customers. Sure, you can register a company, lease space, buy equipment, develop or acquire a product to sell, and hang out your shingle. But until the first sale… all you have are expenses.

Few businesses fail in my experience when they have a steady stream of customers willing to spend money in exchange for their product or service. Companies that establish workable systems to consistently attract customers are those most likely to succeed in the long term.

Customers are the greatest asset of any business. It's the customer list that adds significantly to the value of a business.

Customers mean revenues and profits. They're the very lifeblood of every business – large and small. Therefore… your focus as a new business owner should be the continuous building and nurturing of your own customer list, both existing if they have one, creating one from the customers if they do and then acquiring customers moving forward. This is what sustains your enterprise, gives you an income and enables you to consistently expand and earn even greater sales and profits.

Acquiring new customers and then keeping them for life is what it's all about. Ideally, it should be a matter of delivering superior products and service, then renewing the sales relationship with each new customer, so they buy over and over again and… are happy to do so. With this kind of customer satisfaction, you'll not only turn one-time buyers into lifetime customers, you'll also automatically gain many more first-time customers by word-of- mouth referrals.

Business success begins with the first-time customer. Unless you already have a large list of customers in the business you're acquiring… your primary focus should be in the area of attracting more and more first-timers, on an ongoing basis.

So where do you begin when attracting more customers is your goal?

In a word…*marketing.*

Effective marketing is what brings customers to you. A dependable, consistent marketing plan and implementation system delivers customers efficiently, on a regular basis, and for a much lower investment than the hit-and-miss methods many business owners attempt.

No business can achieve optimum success without solid and consistent marketing. Without an effective marketing program in action, your growth and success in any business is unnecessarily handicapped.

What is marketing?

A simple definition of marketing would be anything that you do to get customers or to keep customers. Your display ads, newsletters, web sites, sales letters, direct mail packages, brochures, Yellow Pages ads, classifieds, etc., all represent part of the marketing picture. The same goes for your sales people, service staff, letterhead, business cards, as well as the sign on your office or shop.

Every representation of your company…every contact you have with prospects or customers… every perception a prospect or customer gathers… is in effect, *marketing*. Marketing is a never-ending function of business – you're always marketing whether you realize it or not. And every facet of marketing either helps your business prosper, or it hinders growth and profitability.

Everything is marketing and… marketing is everything to your success!

If you want to expand in the most expedient, cost-efficient and proven way, you need to take a good look at your overall marketing strategy. When you realise that

"Everything Is Marketing"

... you begin to look at your business operation in a whole new light. You'll see obvious mistakes when you consider how your customer or prospect might view a particular situation, event, or marketing document.

There are 4 fundamental elements of successful marketing to consider:

1. **Product –** You must have a quality product or service with widespread appeal and you need to be either competitively priced, or offer something that's superior to what anybody else offers.

2. **Prospects –** You need to have a market to sell to. Who are your prospects? Is the market large enough to serve your continual growth?

3. **Media –** You also have to have a way to get your message across to your market. What methods provide the best, most reliable access to your market?

4. **Message –** The message is your communication with your market. It's everything you put into your advertising and marketing materials to convince prospects and customers to buy.

All 4 elements are essential to marketing success.

Think of your new business as a bridge that has 4 main columns supporting the entire weight of the bridge. The 4 columns are named: Product, Prospects, Media and Message.

These 4 columns are the supporting structures that provide the rock-solid foundation of your business. A deficiency in any one area throws the whole bridge into peril. In your business, any weakness severely hampers your profit opportunities. When all 4 areas are strong, your chances of success are multiplied exponentially.

The best place to start is to spot the market first. Identify a market with "wants"…then figure out which of those desires your product can fulfil.

Next…decide on the media that will enable you to access this market segment and then prepare a strong sales message.

In order to attract first-time customers economically, you'll need to develop an appealing marketing message —*one that gives you a clear competitive advantage*— and deliver it to the best prospects in the most effective and cost-efficient way.

2. The Real Value Of Lifetime Customers

Customers mean everything to your business. The degree of success you enjoy in business is directly related to your ability to continually attract new customers and to keep existing customers buying from you, again and again.

In a perfect world, you might be able to just sit back and serve only the existing customers you inherited when you purchased the business. But to do so inhibits growth because every business has only a finite number of customers it can reasonably expect to serve. Whether you have 10 or 1000 customers, in order to cultivate the maximum value from your greatest asset, you need to market to these customers again and again.

The best strategy is to continue efforts to attract first-time buyers…and to constantly stimulate sales from those who have purchased before.

Marketing is not just about finding new customers, but keeping those you've already won over and encouraging them to buy from you repeatedly, for years. That's where the real profits can be harvested.

According to world-famous marketer *Jay Abraham*, there are only 3 ways to grow any business:

1. Increase the number of customers…
2. Increase the unit value of each purchase transaction…
3. Increase the number of purchases each customer makes…

The easiest and least-costly sale you'll ever make is to an existing customer.

These folks have already trusted you to deliver a product or service. You don't have to *sell* them again on the merits of doing business with you, instead of your competitor down the street.

Existing customers are *high-probability prospects* for your next related product or service. Trust has already been established. When customers are satisfied with their purchases, they're more likely to buy again and with much less scrutiny than the first time around.

To capitalize on the true value of your customer list, you need to be aware of product life cycles, individual buying frequency patterns and the value of typical purchases.

To fully illustrate the value of your customer list, let's look at an example:

Let's suppose that an average single purchase is $100. If that's all "customer A" ever spends with you, the actual value of "customer A", in terms of revenue, is just that — $100.

Now, let's say that this $100 purchase is a consumable product and it lasts about a year's time. Therefore, our customer needs to replace this product every year, in order to continually experience the same kind of benefit. If this customer purchases from you regularly over a period of say, ten years, that customer is now worth $1000… or *ten times* as much as the single-item buyer!

Taking this one step further…since customer A is very satisfied with her purchases, she tells 3 of her friends about your superb products and outstanding service. As a result, these 3 friends also become 10-year customers. Now our original $100 customer is actually worth $4000… over the same ten-year period!

If those 3 newly acquired customers also referred others, the cash- generation picture gets even brighter. And it all started with a single, $100 purchase.

This is how a fitness club can offer 30 days of complete services for $10, or how book clubs promise "5 books for just $5". They don't make any money on the first transaction. In fact, they often lose money on the front end. But they also know that the value of a customer who purchases repeatedly is well worth the comparatively small up-front costs.

These companies are banking on building long-term relationships with customers. That’s the key! Successful marketing is about building positive, long-term relationships with people. Never forget that simple fact and it will serve you well in any business.

Repeat business is where the true fortune lies. That’s why honesty and integrity are so important to the business that wants to grow and flourish. Real profit is generated from subsequent sales, beyond the initial purchase.

The first sale often absorbs most of the costs associated with customer acquisition. Therefore, each subsequent sale has a higher percentage of built-in profit, than the one before. It doesn’t take long before it’s all profit, less of course, the cost of goods sold and any overhead.

Take a close look at the customer list of any business you are considering purchasing.

How many of their past customers have come back on their own to purchase again? How many have made purchases on numerous occasions? What dollar value has each customer been worth to date? Then, start to think about ways you could enhance that value by renewing the buying relationship.

Seeing the potential value of cared-for customers can help you determine how much you’re willing to spend to acquire each new customer. Newer businesses that don’t yet have a sizable customer list may need to spend more initially, in order to establish a customer base of some kind.

Once you have customers, it’s always in your best interest to continually serve… communicate with… make offers to… and generally delight those who have already bought from you.

Keep in mind that satisfied customer’s usually welcome frequent contact from businesses that have delivered superior overall satisfaction in the recent past. Often, your frequent communications simply renew good feelings — something everyone likes to experience.

Following are a few ideas for maintaining contact with your customers:

• Put in place a system of regular contact where you can mention additional products and services that might be of interest to your customers
• Consider using tools of communication like invitations, postcards, newsletters, thank-you cards and sales letters
• Keep customers and prospects informed and up-to-date with any changes in your business
• Let them know first about new products and services, as well as new applications for existing products
• Keep the lines of communication open so customers can easily have their problems solved – regular contact makes you more seem more accessible to customers
• Do whatever it takes to make customers happy without undue delay

• Ask them to direct other people to you or if someone they know would like to receive your free newsletter, sample, catalogue, etc.
• Inform customers first about all upcoming events, new product releases, publicity excerpts, changes in product selection, etc.
• Remind customers before it’s time to renew or replenish their supply
• Provide helpful tips or pass along related information customers may find useful

The quality of your on-going relationships with customers is the primary underlying value of your business (few business owners realize that, AND that’s why buying an existing business is WAY better than starting one). Customers *are* your business and should be treated as good friends.

Do whatever is necessary to stay in your customer’s thoughts. The ultimate pinnacle is to be “top of mind”… that is to be the first (and perhaps only) source your customer thinks of, whenever she needs what you provide. This gives you a tremendous competitive edge over others and adds considerably to the true value of your business.

Your task is to maximize the value of your customer list by continually renewing the sales relationship with those people who have already purchased from you.
You’ve already invested capital and energy to win over customers the first time. Once you have a customer, it’s up to you to keep them.

3 Marketing Systems For Autopilot Success

The ultimate formula for business success is really quite simple. All you have to do to ensure long-term success is:

1. Generate quality leads consistently and economically.
2. Convert as many of those leads as possible into sales.
3. Ensure that you delight your customers so they’ll be pre-disposed to buy from you again and to recommend your company to others.
4. Repeatedly sell refills, replacements and other products to your family of existing customers.
5. Ask customers to refer you to others who may want the same benefits.
6. Keep going back to step #1 and repeat the pattern again.

Follow these six steps and your success is virtually assured. Of course you’ll need a good product or service and a readily accessible, “hungry” market to begin with, which is where doing your due diligence is important.

A marketing system is a process to continually attract new business and to continue serving existing customers. A *system* automates the process, making it easier to consistently and reliably attract qualified prospects. It saves you time because everything is prepared and planned in advance. It doesn’t make sense to waste your time and financial resources on those who for whatever reason are not likely to buy from you now, or in the foreseeable future.

It's about boosting your business in the most cost-efficient and productive way. Essentially, you want to establish a formula for acquiring customers regularly. You want something that can work over a period of time… something that is affordable… something that efficiently delivers plenty of quality prospects and customers.

In addition, you want a system that can be implemented at any time, whenever your business needs a fresh new crop of prospective buyers.

The best systems are those that you control, 100%. When you surrender control, or a portion of it, you lose your ability to directly monitor and adapt the system as you choose. A proven system lets you automate your marketing, so your time is freed up for the daily challenges and obligations of running a business like yours.

A marketing system can include any method of reaching your target market. Any kind of proven advertising or promotional material can be worked into a system that can bring you a steady stream of high-quality prospects, whenever you want.

As an example, let's take a closer look at a viable marketing system.

For this example, I'll use a marketing strategy I implemented in one of my other businesses which was an education company, we sold a "how to" guide for retailers.

A. This particular marketing system begins with classified ads and small display ads placed in specialty trade magazines and newsletters. The ad is designed to get interested retailers to request additional details about the manual. This is step one.

B. As inquiries come in, the direct sales package is sent out. It includes a sales letter, order form, brochure and some kind of free sample or premium. (this is the offer that was promised in the ads)

C. A certain percentage of these packages should come back as product orders. Those who ordered are sent their shipments immediately. Along with the product purchased goes another advertising piece for a related product. This is known as a "ride along" since there's no additional cost to mail out the ad itself.

D. Those who didn't buy, are sent subsequent follow-up letters, postcards, invitations, and the like… in an attempt to convert as many as possible into buyers.

E. Again, a percentage of follow-ups should result in additional sales. You determine how many times you want to reach individual groups of prospects, before moving on. The point is…if you only contact them only once, you'll probably miss a lot of new customers who for unknown reasons, failed to respond favourably the first time around.

In my experience 50% of the sales are made on the follow up letters, which means if I only mailed them once I'd only do half the business!

There you have it: a simple — yet very effective — marketing system. There are several advantages to implementing such a basic system:

1. it's generally a less-expensive and more direct alternative.

2. It allows you to test different offers and appeals.

3. It gets prospects to COME TO YOU rather than you sending your material to them, without a previous request for it. (no more cold calling!)

4. You can approach these prospects repeatedly, in an effort to convert them into customers, something you usually aren't able to do with rented mailing lists.

5. You can start small and expand your efforts as you gain experience.

6. Once your system is producing consistently profitable results, you put it on autopilot and continue to reap the rewards.

A strong marketing system allows you to predict with some degree of accuracy, how many new prospects or new customers are gained daily, weekly or monthly. It helps you predict the number of new leads or new sales you get, based on the amount of advertising you place.

Systems allow you to test your ideas on a small scale, before rolling out with a major campaign. This is marketing with intelligence. Test small and smart and adapt accordingly… based on results. Once you have your own system working, you can then multiply your returns by expanding your advertising efforts to larger markets that also appear to be good target markets for your products and services.

There are 4 keys to creating a winning marketing system:

1. You need to create advertising that gets attention and stimulates desire.

2. You need to create compelling marketing messages that interested, qualified prospects find difficult to resist.

3. You need a method of accessing the best possible prospective customers in order to make your offer available to them.

4. You need to find the most effective and most relevant form of marketing, or the most effective way to get your compelling messages in front of those most likely to buy.

Whatever the business you purchase… whatever products or services it sells… your ability to consistently and affordably attract a steady stream of new customers, particularly in the early stages, will prove to be the most critical factor in your ultimate success.

A marketing system, as simple, or as complex as you want it to be, is the most effective strategy for business growth because it's always geared towards maximum, measurable results, at the least possible expense.

4 Creating Winning Advertising

Your new business could be "number one". You could be the best in town…with the most appealing, useful, money-saving, health-inducing, miracle product in the world! But… if you can't communicate all those advantages in an enticing way that gets people to respond in droves, your profits will be minimal and your success unnecessarily restricted.

It's true that most people are simply overloaded with marketing messages of all kinds. With the explosive growth of the Internet, the problem is only growing in scope each year. It seems as though we're bombarded with commercial messages, almost from the moment we awaken until we fall asleep.

Mass marketing is not the way to go for an entrepreneurial company. It may be acceptable for a *Coca-Cola* or *IBM* to advertise this way, but no small enterprise can survive and thrive by throwing money into massive, widespread advertising that reaches a "general" audience. Companies with huge advertising budgets often use "image" advertising as a means of brand-building and keeping their names in public view.

Typical shit image advertising, great for ad agencies but terrible for you…. What does this ad even mean????

Fortunately, there is a better way for entrepreneurs and small business owners. The intelligent approach is to use targeted marketing that persuasively communicates your unique advantages in a compelling way and encourages immediate action. This strategy produces the highest rate of sales at the lowest possible cost… provided it's done the right way.

Having a superior system for effective low-cost advertising always wins out over high- budget campaigns that attempt to reach everyone. "Everyone" is not a good target group for whatever it is that you're offering. It's always best to narrow your approach to specific groups – individual market segments that hold greater promise as potential buyers.

Where do most of your existing customers come from? If your business is new, you don't have the advantage of a track record to draw upon. Try to project the best possible sources of new business. What specific areas or market segments should you put most of your efforts into?

When you know who the best prospects are for your product or service, developing advertising that captures attention and generates response from that specific group, is much easier. Identifying the best candidates for your advertising is always a preliminary step to designing and writing ads that pull in customers.

Here's a simple 6-step formula for creating advertising that works:

1. **Message —** Get your message delivered to the *right prospects.*

2. **Attention & Interest —** Command the *attention* of those prospects so your message doesn't get overlooked.

3. **Self-Interest** — Appeal to the *"wants"* of your target prospects before their needs. Wants are emotional…needs are logical and the heart often overrules the head. What are your prospects interested in? What do they deeply desire? Put yourself in their shoes and speak to each reader one-on-one as though you were sharing advice with a close personal friend.

4. **Advantages —** Communicate the *unique advantages* of your product or service. What can you convey to your audience that will make them want to do business with you, or at least take the next step towards buying?

5. **Proof —** It's not enough to simply make a claim. You also need to provide evidence of the advantages that you present. Proof makes your statements much more *believable* and *credible*.

6. **Action —** Move your prospects to *act on your offer immediately* by promising an additional incentive such as a free sample, related report, or premium.

Your front-end advertising should focus on lead-generation. Never try to sell directly from a small classified, display, or ezine ad. Unless you plan to run large, full-page ads that give you adequate space to present compelling sales copy, you're further ahead sticking to "lead-generation" type ads. You can always work towards the sale with your follow-up copy.

This is known as two-step advertising. Step one is to attract interested prospects with a small ad or mailing piece. Step Two is to "sell" them with a convincing sales letter or dynamic presentation.

Here's an advert I use that I'll go through later, see if you can spot the 2 step process:

Persuasive, results-oriented advertising copy gives you an affordable, dependable and efficient means of attracting qualified buyers. Subsequent sales material can than help convert prospects into customers.

Each ad you place should be part of your continuous testing. All results should be recorded and carefully monitored. Slight, seemingly insignificant alterations in the wording of ads and particularly headlines have been known to cause dramatic improvements in response.

Carefully monitor your ads and sales material. With every change made, results should be tabulated and compared to the original. This is the way breakthrough advertising often evolves. It's usually the result of a little tweaking, constant testing and accurate analysis.

Here are 6 points to keep in mind as you develop your advertising:

• Make each ad as compelling and irresistible as possible.

• Use meaningful specifics rather than vague generalities – tests indicate that using actual numbers, amounts, and results achieved, etc. produces better results than a general statement or rounded-off number.

• Include a huge promise – state what the prospect stands to gain by taking action NOW.

• Make it believable. Perception equals reality — as far as prospects are concerned.

• Include a special offer to encourage action. Make it limited in some way. Your mission is to light a fire under the prospect to move them from a state of inertia into action.

• Be very clear in your instructions — indicate the response you want prospects to take. A confused prospect never buys.

The most effective way to launch a new advertising campaign is to start small and test. Test every element of your ads – publications, headlines, offers, benefits, special inducements, points of contact. Starting with lead-generation advertising can help you determine the strongest possible appeal for your market. The best lead-generation ads get prospects interested by offering appealing, free information. The information should relate in some way to your product or service. By requesting the information, the prospect positions herself as an ideal target for your offer.

5 Leverage: Using Limited Resources To Produce Big Results

The principle of leverage is about gaining the most in terms of sales, cash flow and profits for the least amount of time, effort and money invested. It's about effectively using small amounts of energy and capital resources to produce huge results.

Leverage is about multiplying the power of your advertising and marketing so you gain a far greater yield for your investment. It's about using your time, energy and marketing firepower, to get ten or twenty times the result in less time and for one quarter the effort.

Your costs are the same to run any ad, whether it brings you 10 new prospects, 50 new prospects, or 550 new prospects. It requires the same amount of creative effort, time and money to close 1 in 200 prospects, as it does to close 1 in 50, or even 1 in 10.

But acquiring 50 new prospects instead of just 10 gives you five times the leverage. Gaining 550 new prospects instead of 10 delivers 55 times the result, for exactly the same investment of time, energy, and financial resources. Similarly, closing 1 in 50, rather than 1 in 200, gives you 400% upside leverage, and closing 1 in 10 delivers a whopping 2000% increase!

Using leverage to your advantage is a matter of increasing your success quotient through intelligence. Employing proven strategies is one method to boost your odds and give you a greater probability for success. Leverage is a way of hedging your chances to position yourself for better results without spending a fortune.

Leverage is really a strategy for establishing superior "field positioning", before the game even begins.

Essentially, *leverage* is about:

• Creating the highest likelihood for successful results…
• Providing the lowest possibility of failure…
• Utilizing the least amount of resources (time, energy, money)…

…In order to gain the greatest possible return on your investment.

So how do you use leverage so you can improve upon your current results?
Here are 7 ways to get more for less in your marketing efforts:

• Use smaller, well-designed ads that pack a punch, as opposed to costly, larger ads. Always test small, first. (see above as an example advert I use)

• Choose better publications or mailing lists, ones that better reflect the target market you've identified as ideal for your product.
• Take advantage of low-cost marketing options such as classified ads, co-op advertising, Internet and publicity.
• Renew the sales relationship with inactive or past customers.
• Create superior advertising that gets more people to respond.
• Rework your follow-up material so recipients are literally compelled to buy from you because not doing so would actually cost them dearly due to all the benefits they'll miss out on.
• Once your system is working, expand your marketing reach and put it on autopilot so you can free up more of your time for other activities.

Successful marketing really boils down to this:

1. Find your best source of new prospects and customers…

2. Determine the most viable, cost effective, productive, and expedient way to reach as many targeted prospects as possible…

3. Convert as many prospects into *customers for life* – delighted customers who happily tell others all about your products and services.

Leveraging your marketing efforts helps you find more first-time customers. You can then turn that one-shot sale into a continued relationship that can last for many years and bring you thousands upon thousands of dollars.

Using the principle of leveraging allows you to exponentially grow your business by multiplying the effectiveness of every marketing initiative. It's like profiting from the results of 60 salespeople instead of 3, and it's like having a full-page ad instead of a one- line directory listing. Leverage allows you to duplicate your efforts and produce many times greater results – at a much lower expense.

6 Targeting Your Prospects – The Benefits Of Niche Marketing

The more closely you can define and pinpoint your target market, the more success you're likely to enjoy. Many businesses make the mistake of trying to be "all things to all people". You're better off choosing the markets you want to target and then focus exclusively on serving these segments better than anyone else.

Specialize — don't generalize. Choose niche markets that are both easily identifiable and accessible.

Carefully examine the results you've achieved up to this point. Chances are the 80/20 rule, also known as the Pareto Principle comes into play here. This concept states that 80% of your business comes from just 20% of your customers. Run the numbers and see if this idea is accurate in your experience. In most cases, it is.

The next obvious step is to review those 20% of customers who account for 80% of your business. Do they fit into a particular niche that's identifiable and accessible? Perhaps the top 20% of your customers live in the same neighbourhood, a characteristic not shared by the other 80%. Or, it could be that the top 20% fit into specific occupational or special- interest groups.

It may be your top 20% consists of a variation of professional occupations like Architects, Dentists and Chiropractors. In this case, each group could represent a specific niche, and each niche may require a separate marketing approach – one that "speaks" to them as special members of their peer group.

In seeking a niche in which to focus your marketing effort, select a target group with an already established "want" for what you offer. Success is much faster and more of a sure thing wherever there's the likelihood of a strong desire for the benefits and advantages your product or service offers.

Don't try to create a desire for your product, find where that desire and demand already exist, then offer your superior solution in the most advantageous and appealing way.

There are people walking around with money to spend… money that's burning holes in their pockets… all you have to do is follow the smoke.

You'll achieve greater success by concentrating on specific market niches that are currently under-served or not served at all. In these markets, your products and services are wanted, appreciated and placed in high esteem. You're often seen as a "saviour" of sorts, for providing much-wanted, helpful solutions.

Look at what others are doing and do something different. Avoid the niches that most companies in your field cater to. Go after the markets that others consider "too small" or "too insignificant" to worry about. Just make sure that it's a large enough market to make your efforts profitable.

Think about my niche – I teach people how to creatively buy businesses with no money of their own…. If you go online I pretty much own that niche, it's not millions of people BUT it's brilliant entrepreneurial people who are attracted to learning these skills.

You also need to target market segments that can be easily reached through your advertising and marketing strategies. Groups that don't have affordable and comfortable accessibility probably aren't the best niches to approach. To try and market successfully to a market that's difficult to reach can be a frustrating, draining and costly experience.

Be adaptable and flexible. Markets and opportunities are constantly changing. Nothing remains the same, indefinitely. Change is happening all around you, whether you choose to accept it or not. Be prepared to refocus your target markets, whenever it becomes necessary. Your flexibility and adaptability is what enables you to expand and grow with a changing and constantly evolving marketplace.

When seeking target niches, look for markets that:

• Share common problems and have similar “wants” so that you can, in effect, “package” solutions that serve many, rather than customizing solutions to individual, specific requirements.

• You know and understand, or those you can gather relevant information about, that will help you to understand the best marketing appeals to use.

• You can reach easily and affordably.

• Are easily identifiable as those who are under-served by others in the market.

• Can easily pay for your products or services.

• Show a past history of buying related products or services in the recent past, where the dollar volume of each purchase is close to or more than the cost of your product.

Using these ideas will help you determine the most lucrative and productive areas in which to concentrate your marketing operations.

7 Capitalize On Your Unique Competitive Advantages

Why should prospects do business with you? How are they greater advantaged in doing business with you vs. any other competitor? The answer to these questions should be carefully and consistently communicated to your market at every opportunity.

Your most unique and relevant advantage is your strongest ally in attracting first-time buyers. This is what gives you an original perspective and a strong competitive edge in the marketplace. Your *Unique Selling Proposition* (USP) as it is also known is what sets you apart from everyone else — *even if they happen to be marketing the exact same products to the exact same people*.

A *Unique Selling Proposition* gives your business a distinction in any competitive marketplace. Your unique advantage helps to position you favourably, in the eyes of your market.

But just having a *Unique Selling Proposition* isn’t enough; it should be part of every communication you have with your market. In fact, it should also be a part of your business on a daily basis. In other words, you’ve got to *live* it. It can’t just be some dreamed-up concept that sounds interesting and appealing. Your *Unique Selling Advantage* needs to be something original… something that gives you a special advantage over others, thereby minimizing the appeal of competing products and businesses.

I think it's pretty obvious I've decided to simply be exactly who I am, I swear a bit ;-), I love business and I'm interested in financial freedom. What about you?

The key to having distinctive advantages is to make those advantages clearly and unmistakably evident to your prospects.

You simply must make it easy for people to understand your advantages. That's why free samples, test drives, and trial offers work so well; they give the prospect a "hands-on" experience, essentially providing an actual demonstration of the advantages of your product.

Think of your *Unique Selling Proposition* as a ten-second advertisement for your business. What can you say in ten seconds that gives you superior positioning in the eyes of your target prospects?

Communicate your Propositions everywhere. It's your most compelling sales statement because it separates you favourably from everyone else. Make your unique Propositions known by placing them everywhere, including business cards, brochures, Yellow Pages ads, signs, name tags, direct mail packages, company vehicles, web sites, advertising specialties, packaging, etc.

Actively promoting your distinct Proposition gives you the most valuable exposure of all. Most simply push their own company name in their ads, unknowingly committing one of the biggest entrepreneurial blunders of all time.

Your USP actually *means* something to prospects and gives them a reason to contact you, first. Prospects relate and respond because a good *Unique Selling Proposition* is created to appeal specifically to the innermost "wants" of those prospects.

Your unique advantages tell the marketplace what you offer that others don't. It's about being different from everyone else and clearly and succinctly communicating what you do for your customers. It's what they get that makes you the decisive choice over and above all other options — including doing nothing.

Developing a strong Unique Selling Proposition requires a thorough understanding of the kinds of things your competitors offer, as well as superior inside knowledge as to what your market really wants. Taking the time to fully understand what your prospects desire is fundamental to supplying the "magic" solution.

8 Help People To Buy With An Appealing First-Time Offer

Try to make it real easy for first-time customers to buy from you. You don't have to sell new customers on the whole package or deluxe version of your product or service. Instead, offer something as an introductory level purchase. Allow these new customers an easy, lower-cost way to become your customers.
Your mission is to facilitate the buying process by eliminating all possible obstacles that could interfere with the sale.

Some businesses make the mistake of going for the biggest sale at the first opportunity. The problem is… prospects are leery in the beginning — you need to earn their trust first. A better choice is to make a small, initial sale to a customer, and develop a customer/ supplier relationship – one that hopefully blossoms into a life-long partnership.

Since the first sale to a customer is the most difficult (and costly) one to close, it makes good sense to ease them into the buying experience, until they are totally comfortable and anxious to spend money, again and again.

The key is to get them on board as customers. Make is easy. Give them a "baby step" to let them experience the total benefits of your product, without fear and without risking a lot of money. Give people the opportunity to put your products and services to the test. Let them experience your customer service first-hand. Do all you can to ensure their satisfaction on this small purchase. Take good care of these people — they're the essence of your business.

Do whatever it takes to make the initial sale. Additional sales can come repeatedly, even automatically, but only after you've earned your customer's complete trust, confidence and satisfaction.

Most people have a set figure that they're willing to spend without hesitation, on something of interest. Anything above that figure and prospects could take days, or even weeks to make a buying decision. Make it easy for new customers to try your products and services with some sort of introductory offer.

Since it's easier to ease people into a buying relationship with lower-cost items, you can welcome more folks into the fold that way. Grow your customer list secure in the knowledge that each customer can become a lifelong revenue stream for your business. When you keep in mind the potential value of a long-term customer, the initial sales value pales in comparison.

The more appealing the initial offer, the easier it is to acquire first-time customers. The secret to building a large list in a short period of time is to create a tremendous offer that is simply irresistible to your target market.

I for example have given away free coffee for a week in new cafes I've purchased or given away e-books (like this one) for free so people can check me out.

9 Added Value Makes It Easy To Choose You

Whether it's a first purchase or the thirty-first, the key to gaining an advantage in any market is to offer *superior value*. Added value is about giving more in perceived *use- value* to your customers, than they get anywhere else. It's not the actual price of your product or service that matters most, it's the *value* buyers feel they get in return that makes it worthy of the price.

Give more in actual use value, than you ask for in cash value. Offer more than competitors do and the perceived value of your product increases accordingly. You could be selling identical name-brand products as others. What makes you different and gives you a clear and distinct advantage over competitors is the added value that you include.

Added value could mean free delivery or installation. It could be the bonus manual that you supply with a software product, or a full year guarantee, instead of the industry standard of three months. Perhaps it's the monthly call to remind the customer to reorder another 30-day supply. There are plenty of ways to add value to whatever you sell.

Here are a few value-added ideas to illustrate the concept further:

• Free gift-wrapping
• Helpful, informative articles or reports
• Exclusive multiple-use packaging
• Information sheets
• Maintenance or set-up tips provided for each model offered
• Offering a greater quantity than is considered standard practice
• 24-hour help line for technical support
• Accessibility to private, information-based web sites
• Premiums or small bonus gifts
• Free consultations

It's important to offer extras that customers want and place a high value upon. It doesn't do much good to offer something that isn't desired by your prospects or to offer something that is readily available elsewhere. But it doesn't have to cost a lot to create an offer that's highly desired. Often these value-added premiums can be acquired at an extremely low cost, but the perceived value they add to the purchase can be worth a hundred times the cost or more.

10 Reversing The Risk Removes The Final Barrier

There's always an element of fear people have in doing business with a company or individual they don't really know. The degree of fear usually increases with the amount of money involved in the potential transaction.
Most of us have had an unfortunate experience or two in the past with products or services that didn't quite measure up to our expectations.

We've been ripped-off by unscrupulous scam operators, or businesses of dubious character. Those painful memories have taught us all to be more cautious of unknown vendors and to make sure we have adequate recourse, should we be unhappy with our purchases.

Your prospects are in this mode right now. They fear being "taken" in some way. Unfortunately, this fear often paralyses them from making a buying decision. If the fear is too intense, they run for cover to avoid the potential pain of loss, like the ones from previous encounters that are forever etched into their memory banks.

Reversing the risk is about assuming total responsibility for your customer's satisfaction. It's about taking the risk away from the customer and shouldering it yourself — as any reputable company would.

Your job as a marketer is to eliminate, or at least, significantly reduce this risk wherever possible. When you do this effectively, you've removed the final obstacle to closing the sale. You've safely removed the last possible objection to the sale your prospect could have.

Many true prospects want to buy. They want to say "Yes, I'll take it". They desire all the benefits and advantages your product or service can give them. But an overwhelming fear can suppress even a powerful impulse to buy.

You can overcome this problem and improve your sales dramatically by removing the risk from your prospect and assuming the risk yourself. In taking the risk away from your prospects and customers you make it easier for them to buy. It's one less reason not to buy. The less your prospects and customers feel they have to lose, the more likely they are to go ahead with the purchase.

Here are 8 ways you can reverse the buying risk for your prospective customers:

• Provide a no-hassle, money back guarantee. Offer bonus items as a gift, simply for taking the time to try the product. This makes your guarantee, "better than risk free".

• Increase the length of your guarantee to double or triple what the competition offers (90 days vs. 30 days)

• Offer payment plans (3 easy payments of $33 monthly, rather than one payment of $99)

• Offer introductory version of your product or service (5 CD's for $5)

• Give free samples of actual products

• Give free trial packages for a limited time

• Accept post-dated checks as payment - I use this all the time for my courses

• Pay only on approval (negative-option programs used by book and CD clubs)

Your prospects want to feel totally comfortable in doing business with you. Yes, they want the promised benefits, but they also want to know that they're not "on the hook", should your products or services disappoint in any way.

The more complete and all-encompassing your risk-reversal strategy is, the more prospects will be willing to take a chance on you and paradoxically, the less you'll have to deliver in terms of recourse.

11 Continuous Marketing Accelerates Success

A system of continuous marketing enables you to routinely convey your message to your best prospects. The obvious goal is to convince prospects to become buyers and the sooner they come around, the lower the cost to you in acquiring that customer.

Some prospects will buy the first time you contact them, provided your offer and ad copy does an adequate job and you've targeted the best possible prospects. Unfortunately, many people don't even see your message, or pay any attention to it the first time around. That's why it's so important to repeatedly contact your best prospects with your most convincing and appealing offer.

A marketing system is designed to deliver your message several times to prospects that haven't yet made a purchase. Many experts claim that you should approach a prospect no less than seven times before giving up on her and moving on.

The actual number of pieces in your marketing system may vary, according to the business type and your budget. It usually takes more than one contact to close sales that involve more than prospects would spend without thinking twice about it. You may be short-changing yourself if you only approach prospects a single time. I advocate a system of multiple exposures, which is any number over one.

Most of us are exposed to a barrage of commercial messages every day. It's impossible to pay attention to them all. So what do we do? We focus on only those that reach us where we "live", that hot zone that encompasses only areas of primary self-interest.

With the kind of widespread advertising going on, it's no surprise that your first message to your market doesn't always get through… let alone acted upon. For this reason, it's important to "work" a highly qualified and interested prospect repeatedly, so they can at least try out your products and services. To deprive them of this opportunity is to cheat them out of what could very well be in their best interest; buying your product NOW. Not only that, but you're cheating yourself in that you'll produce far less sales than you could through an effective system of repeated contacts.

With advertising messages everywhere, it's fair to say that many people are oblivious to most of them. Deleting 99.5% of the regular onslaught is the only way most people could function effectively in their daily lives. To pay attention to every message would leave little time for anything else.

So the best means of getting through to prospects is with spaced repetition. You want to send your marketing communications to prospects repeatedly, over time. I suggest spacing messages apart by two weeks in the initial stages, with a gradual spreading out of any subsequent contacts.

I'd also suggest that you don't simply mail the same piece over and over again. Promote the same benefits and use similar offers, if you wish. But don't just send the same sales letter or brochure. This quickly becomes boring to the prospect – even though she may in fact be mulling over your offer. Remember, bored prospects don't buy.

Some of the pieces you may want to use in your prospect marketing system include:

- Sales Letters
- Brochures
- Ezine Adverts
- Postcards
- Card Decks
- Lift Letters
- Coupons
- Press Releases
- Websites
- Invitations
- Greeting Cards
- Testimonial Letters
- Complete Direct Mail Packages

You'll want to have systems in place for both your prospect list and your customer list. Often, established customer buy again and again, automatically, without the need to be "sold" each time. The best way to keep customers active is to maintain a system of consistent communication.

Your customer list marketing system may include some of the following elements:

- Newsletters (electronic or print versions)
- Catalogues
- Invitations
- Special Letters
- Greeting Cards
- Thank-you Cards or Gifts
- New Product Announcements
- Product Updates or Upgrades
- Helpful Information

So I know I've covered a lot of ground here but believe me if you can apply just ten percent of these strategies to any new business you buy then you will see remarkable results.

If you're still not sure how to do this you can either e-mail me when you're in to the business and I'll do my best to help you or better yet use the business critique I'm giving you as a gift for reading all the way to the end of this book…. You ARE going to read through to the end right…. Otherwise I'll find you and then you'll be for it! ;-)

Ok so now you've found your business

you've done your due diligence

You've uncovered some fast and easy ways to make their marketing MUCH better

All that's left is to make an offer right?

WRONG!

Now we enter a game of fun called negotiating….. welcome to the dark arts of business.

CHAPTER 8

WHAT I'VE LEARNT ABOUT NEGOTIATING

I'd love to be able to tell you that the world is full of nice people who'll go out of their way to ensure that you both get a fair deal when transacting the business deal.

Of course you and I both know that people who believe that sort of crap are very poor…. As my mate Mark says "when a person with money meets a person with enthusiasm and optimism the person with money gets more of it and the enthusiastic optimist gets a 'life lesson'."

So here's the first thing I know – the person with the biggest need is the weakest negotiator.

I was selling a business recently for a guy whose marriage had just fallen apart, shit happens, but in business when shit happens it creates opportunities.

Now he and his wife had all their cash tied up in the business (dumb move) and it was a particularly acrimonious split (think Paul McCartney and Heather Mills) so the shit was hitting the fan.

The guy was doing his best to shaft his wife out of as much money as possible and in his need to do this had let all rational thought evaporate. So when a young lady student of mine came along who was a particularly shrewd operator she quickly sized up the situation, did her research and discovered what was happening.

She realized that the business could be got for a song if she simply helped the business owner 'get revenge' on his wife, now put aside your ethics and morality here as it has no place in negotiating.

So she offered a low ball price knowing 2 things:

They needed to sell… fast, the divorce was proceeding, and the couple ran the business together and hated looking at each other.

And, the guy wanted to screw his wife.

So anyway she put in a no money down offer paying the full amount with a 10% down payment which she simply financed from the receivables of the business (more about this later) and the rest payable over 7 years at 8% interest.

Then she waited for the couple to piss each other of sufficiently so they'd have to sell.

And sell they did.

She got the business, and once the feuding partners were out the staff morale increased and she added 50% to the bottom line in the first year alone.

So the lessons here are;

Know the facts, do your due diligence so you have the real reason people are selling.

Be prepared to wait, the person with the least need to do the transaction controls the transaction.

When you're negotiating looking like you don't need the deal to go through is VERY important.

Ladies did you ever go out dancing/drinking one night to find a desperate guy trying to get you into the sack?

The more they need it the less you want to be near them.

Guys did you ever see a woman who looks so made up she looked like she belonged in a pussycat dolls video?

The more she craves attention the less likely she is to attract a partner and more likely she is to attract someone who wants to (one night) shag and then run.

Think about it. When you <u>have</u> to sell, you look unattractive.

So here's how to look disinterested;

Show up late, I can't tell you how many times business owners who I know have got to sell their business otherwise they'll lose their house, *saunter* into initial meetings to meet prospective buyers 30 minutes late, I see it ALL the time.

"Sorry I'm late I had something come up, so what did you want to discuss?"

All the time the bank manager is riding their ass for all he's worth.

But the perception is that they couldn't care less, don't fall for it.

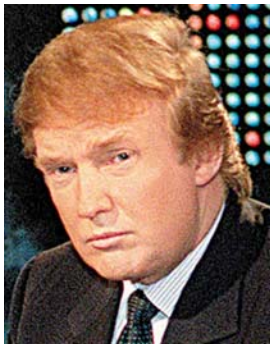
If they're at the meeting at all they're keen to sell.

To neutralize this tactic simply say "I'm looking at 5-6 businesses in the area that fit my criteria now I'm doing my research to see whose going to be realistic on price"

Job done.

No no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no no

Just try that.



Again the longer you can hold out on a deal the sweeter the deal will get, I remember hearing a great Donald Trump story where Donald was negotiating to buy a building for 50 million so he could develop it, the story goes that Trump got to the negotiating table, sat down and just softly started saying no under his breath.

The guy he was negotiating with began to lay out his terms and all you heard was Trump saying no very softly under his breath, once all the terms had been laid out Trump got up and said "I think I've made my position clear, when you're ready to offer me a deal that makes sense give me a call" and then he walked out.

This went on 3 more times with the poor fellow becoming more and more exasperated at Trump who said nothing but no under his breath. With each time Trumps opponent conceding more and more to the deal until finally when Trump thought he'd gotten all the concessions he thought he was ever gonna get he offered his own terms which of course were lower than his opponents and then negotiated from there.

Of course he didn't get all his terms met, BUT he did get the important ones.

Just say no, try it and see. Nobody ever killed a deal completely by saying no.

You can always go back later and start up talks again.

Ok onwards, this is a favourite of mine, I call it the stooge.

The toughest thing when you're negotiating is finding out the sellers true price, believe me he don't wanna tell you what he'll really accept for his business.

So when you're negotiating to find out all you need to do is send in a stooge, your stooge could be a friend, lawyer or CPA.

All they do is go in and make low ball offers, negotiate like hell, generally be a pain in the ass.

So this way you do 2 things;

a. you can find out the sellers low price and what terms they will concede.

b. this wears the seller down especially if you send in 2 or 3 stooges each offering different permutations of a deal, one wants all seller financing but will pay 10% extra, another wants 10% down and offers 25% less and the third will pay all cash but offers 50% what the seller has asked for.

All the while they are harassing the poor seller and generally making his life hell.

Then once they all have done their work and found out exactly what concessions can be made you can walk in as the white night, play nicely be responsible and get the terms you want.

The people I teach and mentor in my courses and groups tend to work together to do this but for you all you need to do is to debrief a friend(s) and let them to the rest.

It works like a charm.

Whenever I run adverts in the paper for my business buying courses I use this technique then one day one of my students decided to give it a go when she was buying a business, it worked just as well for her, so here it is.

When I run ads I find out the normal rack rate the paper charges for an advert then I knock 70% off the price and send them a letter like this.

Dear Greg,

I'm sending you this signed cheque for the amount of $1000 being for a 4 by 10 advert in the business for sale section of your newspaper, I am aware that this amount is 70% less than your normal standard advertised rate and so all I will ask is that you do the following.

Should a time come up when you have some space that needs to be filled simply insert my ad in that space and cash my cheque.

Then send me a clipping of the paper so I can validate the ad has been run.

I offer this so that you do not let ad space go to waste and at least get some money in return for filling the space rather than simply shuffling other adverts and editorial pieces to fill the space.

Again simply cash the cheque and send me a clipping so I can validate the advert has run and the money is yours.

Kind regards

Neil

They always cash the cheque…..

So anyway an enterprising student of mine used a similar technique when buying a business….. “I have sent you a cheque for 50% of the value” etc, worked like a charm.

OK next, this is a bit sneaky sneaky and is borrowed from the used car sales world.

Here’s how it works, once all the negotiating is complete and the deal is finalized at the last minute something comes up for you.

It could be that the bank would only lend you X instead of Y

Or your accountant has found a last minute problem and wants to kill the deal

Or your business partner has pulled out of the deal and their part of the finance is gone now

Get the idea?

So this is your last chance to get 1 final price reduction. It works and here’s why, buy this point the seller has got a vested interested in selling today, he may have told staff, had a leaving party thrown for him, planned a vacation etc and so he’s emotionally committed to selling so although this will defiantly piss off the seller it will work.

I’ll leave it up to you whether you think it’s right or not.

As you look at more deals and meet more business owners eventually you’ll run into “Mrs Handshake” She’s gonna tell you that her word is her bond, and that where she’s from a handshake between 2 people who are trustworthy is worth 10 times as much as a contract where the only people who get paid are the lawyers….. now your handshake may well be worth its weight in gold (mine is) but hers will be worth squat.

Don’t fall for it, get everything in writing and my preference is to get every conversation in writing as well.

So after a meeting I send a short fax/e-mail just to say what we went over and agreed, they don’t have to respond but they will if they have a different understanding of events.

Keep it friendly and write it yourself just to summarize your side of events.

Agreements Prevent Disagreements.

Big fancy watch and sports car parked outside means just one thing to me… trouble.

This is short and simple, if someone has gone to a lot of trouble to demonstrate to you that they are rich and can afford to do deals all day long my advice is to slowly back out of the room and get the heck outa there fast.

This is just my experience but so far it's proved to be a good acid test, oh yeah one more good test is go for a coffee/lunch with the seller (let them choose the venue) and watch how they treat the wait staff…. If they treat them well all is good if they're ass holes beware.

My final piece of advice is this – everything and I do mean everything is negotiable.

Make a list of negotiating points for the business it could look like this:

- Price
- Down payment
- Interest
- Length of term
- Equipment
- Receivables
- Debtors
- Liabilities assumed
- Staff
- Non compete terms

To name but a few.

Then write down all the terms you have to have, so it could be that you need to have the receivables form the down payment or that you need the seller to retain a 10% share of the business, whatever.

Then think about what you will concede, so if management contracts are not that important to you then you might concede this or if the seller signing a 10km radius none compete for 5 years doesn't bother you then you might concede this.

Now when you go in to negotiate do the opposite, so if staff contracts is not a problem make it a BIG problem for instance this will be your collateral you will allow to be negotiated away in return for what you really want.

Get the idea?

OK There are many more negotiating tactics but this covers the most common and easy to implement, if you're interested sign up for my free e-course that covers more on this and other topics here:

So by now you're no doubt salivating at the thought of buying these great businesses with no money right?

Well let me teach you how to do that.

Chapter 9

How A No Money Down Deal Works

Ok we've covered a lot and I've laid the ground work for what's to come next, now we get to the good stuff.

Before I start I want you to remember this, everything I'm going to teach you is mine and my students actual experience this works!! If you are convinced it won't work for you, you're right, it won't. So I ask you to suspend your scepticism for now and simply grasp the concepts, as I've said before not everyone is going to go for these deals BUT some will, and it's those that will who we're focusing on.

Ok let's get started.

There are A LOT of ways to make no money down deals work, in my business buying programme I go through 52 separate ways to make it work, I'm going to share with you the ten easiest and most common techniques myself and my students use to secure great businesses.

The very best way to finance a deal is with seller (or vendor) financing, essentially the seller loans you the money to purchase their business and the business becomes the asset against which the loan is secured. Very similar to buying a car with a loan from the garage with the car being the collateral for the loan, then if you as the buyer default on the loan the seller has the right to take back the car and you lose your payments and car.

In real estate this would be called a wrap.

These work particularly well for both the seller and the buyer

Here's why, for the seller:

- They will get a much faster sale, listen the reality is that most businesses sell in about 6 months, with fully 55% of businesses never selling at all, but as soon as you offer to finance the deal everything changes, you will sell the business at a higher price and on better terms in a MUCH faster time, typically 1-2 months.
- A higher price, believe me as I'm going to teach you the price you pay for the business is almost irrelevant compared to the terms you get, in fact in my courses I show my students how to pay 10% MORE for the business and still come out a winner. Believe me you get a very interested reaction from the seller when you not only offer to pay full price but you'll also add a further 10% into the deal… it blows their minds.
- Potentially extra income from interest, lets face it, very few people actually need to get all the money out of their business in one hit, in the majority of cases they simply want to get out of the business and do something else, so why not get out and make an extra 8 or 9 percent on your money as well?
- Possibility of selling the business multiple times, in all the vendor financed deals I've put together for myself, my students and clients the business acts as part of the security for

the loan, with the contract set up so that if you as the purchaser default you will have to give the business back and you will lose any money you have paid so far.

- Now in a few instances I have seen a business sold 2 and 3 times each time on a no money down deal with the vendor walking away with tens of thousands upon thousands of dollars in effect selling the same business over and over again.
- Think about that for a second and you'll agree that it's a heck of a proposition, especially if the business vendor uses me to sell their business I can have her business sold again before the ink has dried on the exit contract.
- Tax concessions by not getting money in a lump sum there will be less Capital Gains Tax (CGT) to pay and in fact it can be structured in the contract so that no CGT is paid and it simply becomes earned income and so is subject to company tax instead of CGT, here is my usual caveat: I am not an accountant nor am a lawyer nor am I qualified to give you financial advice… I'm just telling you exactly what I do day in day out.

As you can see it's a pretty damn good deal for the seller and for the buyer well it's equally as good:

You get to, control a business and use none of your own money to do it, thereby creating infinite return on your investment (ROI) if you put no money into a deal and at the end of 5 years walk away with a million that's a pretty good rate of return!

I mean if you had to spend 1 year putting a deal together like this that would make you a million dollars over the next 5 years it's a great deal right! Keep your day job and make your millions at night and the weekends.

A seller will require far less collateral than a bank will. A seller will in all reasonableness ask for the business as collateral and she has every right to expect a personal guarantee from you, however anything beyond that is unreasonable and if you should find a seller who needs more collateral than the business then you have every right to make the following argument "Ms Seller, if the business isn't adequate collateral for your $200K loan then it's surely not worth the $200K I'm paying for it."

The logic is indeed overwhelming.

Sellers are far more lenient with repayments than a bank, if you hit a bad month and have to skip a payment a seller will understand but skip a month with a bank and all hell breaks loose.

A seller will be much more flexible with the loan term… I've seen sellers agree to finance their business over 20 years; it just becomes a retirement weekly income for the seller that way.

As I said before everything is negotiable, it is limited by your creativity and determination to make it work.

OK let's get into some more deals, going forward we're going to assume that you do one of the following:

1. Get the seller to finance a % of the business so you simply have to come up with the remainder.

2. Get the bank to loan you 50% of the money, if the business is good and your credit is good this is easy.

3. Use a combination of 2-3 of the following techniques to form a finance package, so you might get the seller to loan you 50%, a supplier to loan you 20%, a bank to kick in 15%, a factoring company to kick in the remaining 15%.

OK lets start with the bank, now if you have a decent credit rating getting money from the bank is a piece of cake, as long as you a) go to the right bank for what you want the money for and b) talk to the right person.

For the purposes of this book though lets go with the hardest one to do, that's getting a bank to loan you a down payment for a business.

Borrowing a down payment from a bank requires a different strategy than you generally use to obtain a long term loan for say 50% of the business price. The bank views these loans VERY differently, your down payment is a smaller amount, and as such will be usually unsecured and won't consider business assets as collateral. The down payment loan will be short term >5 years, so to get this loan you'll have to work harder and play the game better, here's what to do.

The MOST important thing to remember is not to disclose to the bank the true purpose of the loan. Why, because a bank is super conservative and they want you as the business buyer to invest 50% of your own money into the business sale.

So what to do…. Well here's a sample of what a bank will lend you $30K for:

1. You need cash to do some renovations to your house.

2. You'd like to get bigger breasts and so you want cosmetic surgery.

3. You're going back to school to get your masters in Latin American studies.

OK just so we're clear, bigger breasts = good BUT business deposit = bad.

Now getting $30K for a Pamela Anderson special is easy but it's also possible to get much much more by maximizing your personal borrowing power.

Step 1. Approach 4-5 banks on the same day. Fill out their bank loan applications for the amount your need for your masters in Latin studies. For all 5 banks. Pledge some personal assets if you have to… I always pledge my art collection.

If your credit doesn't allow for a loan get a friend to co sign for you, believe me it's MUCH easier to persuade a friend or family member to guarantee a loan than to make you a loan!

Ask them to loan you $20K first then back track to the guarantee, if you're not sure why you do it this way you really ought to read this book – Influence by Robert Cialdini.

BE CAREFUL!

If you borrow $100K from the banks like this do everything in your power to pay it back…. I'm sure I don't have to tell you that the banks will not like you doing this one bit.

So loan the money to your business, pay your down payment then pay the loans off as soon as possible. As a result of this you will get great credit with 5 banks and have that on hand ready for your next no money down purchase.

This is a classic and simple technique to finance the purchase of a business…. Wanna learn how to finance 120% or more of the purchase price of a business?

You do!

Ok I'll tell you shortly, but first let me tell you about getting your

Suppliers To Finance Your New Business.

Your business should be that proverbial money tree at the bottom of the garden. Not only will it put vast quantities of lovely cash into your own back pocket it will also line the pockets of many many suppliers, people who will benefit immensely from selling you merchandise for your money making venture.

In fact no matter how much money your business will earn you, it will earn your suppliers MUCH more.

This brings us neatly to a simple proposition. If your suppliers stand to profit so handsomely from your venture, why not call upon them to advance those few dollars that can put you into business? You have plenty of persuasive arguments. Once you demonstrate the profit potential your business represents, more than a few will quickly advance the cash you need to make the down payment.

Imagine negotiating to buy a $1 million a year food market. Suppose the seller wants $200K but will finance only $120K leaving you to find the $80K down payment. With a little research you discover that the supermarket buys about 60 percent of its merchandise from one wholesaler. Assuming the supermarket has a gross profit on sales of 25 percent; its total annual purchases will be about $750K this translates into $450K of sales for the grocery wholesaler year after year. Stick a price tag on that $450K what is it worth to your supplier?

A bit more research reveals that grocery wholesalers earn about a 10 percent gross profit. The knowledge that the wholesaler stands to make about $45K a year from your account gives you a powerful bargaining chip.

Why not walk into the supplier and lay your bargaining chips on the table? You want your supplier to loan you perhaps $30K in return for your continued business. Your wholesaler not only gets the $30K back, but will reap $45K in profits each and every year you’re in business. Think about it. That comes out at a whopping 150 percent annual return on the original loan, enough to motivate even the greediest amongst us.

Supplier financing is VERY high on my list of money raising sources. Intelligently engineered it can work with any sort of business that purchases products for inventory; particularly firms that rely on principle suppliers.

Here’s what one of my students has done with supplier financing; Bill called me recently to tell me he’d found his perfect third liquor shop (alcohol always sells well in a recession, as do 23 other industries that I discuss in my advanced courses). Bill already owned two other liquor shops both acquired with my no money down techniques, since he’d acquired the stores in the previous year they are both still heavily leveraged and so it did not make sense to add more leverage to them.

Bill told me that the seller wanted $200K and he'd already lined up $120K from the bank to finance 60 percent of the purchase, and the business broker had agreed to finance her commission of $20K over 2 years with interest, so that left Bill with a shortfall of $60K to finance.

Bill negotiated with the seller to assume $20K in liabilities, so now the deal breaker was the $40K remaining.

Bill spoke to me and we put together this little plan, I think you'll get a kick out of it, so I'll let Bill explain it to you in detail.

"I trained with Neil 2 years ago and learnt so much it literally transformed my life, the stuff he teaches when applied makes serious money. Anyway enough blowing smoke up his ass he gets enough of that already from the other people who've made millions from what he taught them.

Anyway, I had purchased 2 liquor stores with no money techniques when I found the third, I'm building a brand to sell, another one of Neil's advanced strategies, so you know up to the $40K needed, well Neil and I put together a plan for the rest, here's what we did.

We went to see my major liquor wholesaler, after the usual small talk we got to business, I put on my most sullen face and told him that I was in a bind and wanted to go over it with him, I told him I'm presently buying $600K a year from him and that I want to expand to a third store, naturally his face lit up!

Then I told him that the present owner buys all his merchandise from his major competitor, (Company X) and that the present owner is spending $500K a year with company X, then I said that company X had contacted me and in an effort to keep the business with them rather than me use you they'd offered me the following deal.

Company X has offered to loan me $50K to help finance the purchase of this shop, BUT only if I continue to buy from them and use them for ALL my purchases so in effect he'd get nothing and company X would get all the business.

Well you can imagine the look on the poor guys face, and then I said that in addition to the $50K loan they'd offered to give me a 2 percent discount on my purchases for a volume buy.

Then I casually mentioned that the loan offer was interest free and that company X had made a big fuss over my account and said that it was worth over $120K a year to them so they were happy to offer this.

(See what we're doing here?)

Then I simply said to my current supplier that I'd prefer to continue to use him so I wanted to come tell him so that I at least gave him the opportunity to match it.

With that I again looked all sheepish (Neil taught me this so we made Company X the bad guys) within 3 minutes he had matched company X's offer AND also offered to get his merchandising team to spruce up all thereof my stores and grant me an additional $20K in credit.

To say I was happy was an understatement!

So now I could finance the store, I got a 2% volume discount on my merchandize (this alone is worth $20K a year to me), I got my stores repainted and I made a quick $10K profit for myself as I borrowed more than I needed☺"

So as you see, it's a simple strategy to put into place, it's a combination of Logic, psychology and a little white lie. Bill of course had his supplier in a bind, he knew that his supplier and company X were fierce competitors and also that if he failed with his current supplier he could take the same deal to Company X with the knowledge that they'd never discuss it between them as they are competitors.

This is not a new concept, entire industries have been built like this, satellite TV, convenience stores, car dealerships and many more have all been started and are available right now with 100 percent financing from your suppliers.

In fact just last month one of my students got a coffee shop in Sydney 100 percent financed by coffee wholesalers. The only caveat was a contractual obligation to continue to use the supplier which she fully intended to do anyway.

HOW TO STRUCTURE THE SUPPLIER LOAN

As in life everything in business operates on a value for value system. Each party to the deal must realize sufficient benefit to themselves of doing the deal, otherwise either it won't happen or the deal will quickly fall apart.

So, how do you structure a mutually profitable deal with a supplier?

First determine who your primary supplier is. Most businesses purchase the lion's share of their inventory from a handful of suppliers, and the balance from a scattered number of secondary suppliers. Approach your primary suppliers since your account means more to them. Concentrate on family owned companies as large national firms may lack the flexibility to accommodate you.

Then calculate the approximate annual business your supplier can expect to earn from you. Determine your suppliers gross profit, don't worry about operating expenses as they are usually fixed and won't move up or down that much. If you are unsure of there gross ask in the industry or refer to trade journals, most accountants will be able to tell you roughly.

Then it's simply a matter of multiplying the amount of business you give your supplier by the gross margin, for instance if you give $300K a year in business to your supplier and their gross profit is 20 percent then you'd simply multiply those two together to give $60K

With this information you start the negotiation process, you should push to get the full year as a loan and even two years gross profit is not unheard of and accept that you may get only 6 months, which I'm sure you'll agree is better than a kick in the swingers.

When negotiating consider the terms, how long the loan is for (as long as possible AND ensure your business can sustain the repayments), what security is required, be prepared to offer a mortgage on your business assets…. Avoid giving a personal guarantee if at all possible, and if one is requested simply take your business elsewhere.

You will have to give your buying commitment, they are ONLY loaning you the money to keep/gain your business. This usually takes the form of a minimum commitment of time to use the supplier and a minimum commitment of merchandise to buy. Please play this down the line, don't get the loan then promptly switch suppliers. You will get blackballed within the industry FAST.

It's not worth it.

The loan you can negotiate will also be determined by such factors as; how many competing suppliers want your business, what terms you are prepared to accept, how confident the supplier is in your competence, how much they like you and so on.

The major factor though will be just how much money they stand to lose if you switch (people will do MUCH more to keep something they already have than they will to get something new) so be prepared to make your supplier a major part of your business and buy as much as possible from them, it's up to you to show them how much your business is and could be worth to them long term.

Be sure to show your supplier your business plan, show them who you're going to grow the business, give references if you can treat this loan like any other and give more than they need to make the decision in your favour.

Mention of course that you are growing your empire and that their loyalty to you now will be rewarded later as well.

KEEP THE UPPER HAND

Insist on a like for like value loan from your supplier and don't let them rip you off just because they've loaned you money.

In my mastermind groups, I have 20 entrepreneurs who all network together and get high level coaching from me, one weekend we had a new arrival to our program, Jonathan, he was in the food business and was busy building a great snack bar concept through no money acquisitions then free rebrands all paid for by other people (I teach this in my advanced courses). As always we sat around a big conference table telling each other about what was working and discussing strategies and ideas, anyway, Jonathan mentioned his business and we started to discuss the volume discounts he should be getting, I watched his face drop as other members discussed the ten and eleven percent discounts they were receiving from their suppliers.

Jonathan confided that he'd never even thought to ask for a discount on his supplies as he thought it was "nice" of his supplier to loan him money in the first place.

He grew visibly pale as he worked out how much money he'd lost by not asking.

Jonathan was a victim of what I call 'supplier lock in', he felt so obliged to his supplier that he had allowed himself to forget that he was in business with this supplier still, further Jonathan had paid the money pack after 2 years and was basically free and clear now, but he'd let his feelings of being beholden to the supplier get in the way.

Suppliers of course are in business too and will NOT offer you discounts, you must ask for them.

Anyway Jonathan worked out that he'd lost $85K as a result of this and promptly renegotiated his costs and learnt a valuable but expensive lesson.

HAVE THEM BID FOR YOUR ACCOUNT

When you buy a car do you buy the first one you see or do you do what I do and send out a fax to 10 or so dealers like this:

I NEED THIS 320CLK TODAY! Please send your best offer ASAP

I am interested in leasing a new Mercedes from your dealership and am requesting your best single offer. I am ready to do business today (<<<Insert Date>>>) if you have the vehicle I want, and your offer is acceptable to me. I look forward to your prompt reply. Thank you in advance.

The Vehicle I Want:

Model:	2007 320 CLK Mercedes
Exterior Colour:	Black 2-tone w/tan bottom or Dark Stone Metallic
Interior Colour:	Black Leather
Other:	1 – Elegance spec 2 - 6-disc CD Changer w/mp3 capabilities 3 - Auxiliary Audio Input Jack 4 - sunroof 5 - Chrome Trim Package

The Lease I Want:

Type of Lease:	Closed-end consumer lease w/ lease-end purchase option
Length of Lease:	36 months
Down Payment:	I prefer not to make a down payment
Credit Rating:	Great no adverse credit history

Your Quote: (Please provide all the following information regarding your offer)

1. Vehicle description
2. Is vehicle available now? If not, when?
3. MSRP
4. My price for this vehicle, before any down payment
5. Net Capitalized Cost (vehicle price + acquisition fee - down payment)
6. Lease Term (months) and Annual Mileage Limit (miles per year)
7. Money Factor
8. Residual
9. Monthly Payment (do not include sales tax)

Where To Send Offers:

Please fax your offer to (your fax) or e-mail them to neil@neilasher.com as soon as possible, preferably by 11 or 12 today. (I apologize in advance for the urgency--I just need to get this deal done quickly!)

I will be making a decision very soon and would love to do business with you if you have what I need. I'll review your offer and call you soon if it looks like we can work out a deal! I have estimated the lease payment will be "around" xxxxxxx.

Sincerely, Neil Asher

Then I wait for the faxes and e-mails to pour in. then I simply take the best quote and e-mail it to the other people who quoted and ask them to beat it.

This way I play them off against each other, I get a VERY good deal on my cars this way.

Anyway same thing applies to suppliers, when I take over a business I use the same strategy to get the best supplier deal and you can of course use exactly the same strategy to get your supplier loan.

Here's what one of my students did; A video store was available with full financing, all Sharon needed to do was raise $60K down payment for the business. Sharon convinced the seller to sell gift certificates for future rentals at $50 a pop and sold $30K worth, (this is a classic strategy that I teach in full in my advanced courses) so where should she turn for the remaining $30K?

After consulting with me she did some research on the suppliers and found that the store had 2 major suppliers, a confectionary supplier and a DVD supplier. Knowing that the DVD supplier was basically scrooge himself she approached 15 candy suppliers she obtained bids ranging from "sorry not interested" to a $30K interest free loan not due till she stopped using the supplier.

Naturally she got her loan and the new supplier has a profitable new lifetime customer.

A FINAL WORD.

A long time ago I had a huge crush on a girl at school, she was gorgeous and I used to hang out with her, buy her sweets and carry her books, I did this throughout year 10, then at the end of the year she hooked up with another guy… I was devastated ☹ I sat with her and said "Kelly I've been wooing you for a year, buying you things, being good to you, you know I fancy you… why did you choose him?" to which she softly replied "Neil, you never asked".

Just like Kelly could have been mine if I'd have asked, supplier financing is yours for the asking.

Chapter 10

Receivables

A Little Cash Goes A LONG way.

Let's talk about cash, spondooleys, lovely lovely money, you do like money right?

Ok good, you're in the right place.

Think about this, most businesses in 3 weeks will put enough cash into their tills to amply pay a down payment, think about that…..

Imaginatively handled, the money the business accumulates in a matter of days can satisfy the seller's down payment. Since no rules state that borrowing this money, this is a brilliant way to get the business to pay for itself.

Study this chapter carefully to learn exactly hot to get the business to buy itself.

TAPPING CASH FLOW FOR YOUR DOWN PAYMENT.

This approach requires two steps. Although there are variations the basic strategy remains the same. Determine the net cash flow generated by the business over the first month by calculating the difference between what comes into the business (turnover/cash receipts) and what must be paid out.

Then simply structure the deal so the seller receives the net cash flow as part of the deal.

I'll illustrate how it works by giving you an example from one of my students. Sandra and Martin were anxious to buy a prosperous restaurant in Townsville with annual sales of $800K, for which the seller wanted $200K with $80K down. The seller agreed to finance the $120K at ten percent over ten years. So all that remained was to get the $80K.

Fortunately the AussiePreneur Broker agreed to finance his commission or $10K over the year, their parents loaned them another $35K bringing their cash requirements to just $35K.

Sandra and Martin's accountant did a quick cash flow analysis for them that showed projected sales of $60K, whilst anticipated bills (disbursements) were $2K for rent, $6K for salaries, and just over $15K for miscellaneous items. The business therefore would generate $39K surplus cash flow, Sandra knew that her suppliers would be lenient with her as she was starting with a clean slate and they'd want to keep her business , so she rightfully figured she could get at least thirty days credit.

With the cash flow analysis complete, Sandra and Martin knew they could get the money from the business to pay the seller, next up how to convince him to do the deal.

The seller understandable expected a bank cheque for his $80K down payment.

Sandra and Martin spoke to the seller and promised to pay him $10K a week during the first month, for security the seller held the bill of sale and other closing docs in escrow until the full amount had been paid, and if the guys missed a payment the seller would simply step in and take the business back and they'd lose their money.

Making the seller richer for doing nothing.

How could the seller lose?

What did he risk?

Sandra and Martin then suggested that the seller worked within the restaurant for the first month to hand over the business to them at full pay and as such he could be there to ensure that everything went smoothly. With this the seller agreed and the deal was done, 30 days later Sandra and Martin's dream of business ownership had come true and one year later the restaurant was making $1.2 million a year with Sandra and Martin earning $135K a year.

Some things to remember.

Get a good accountant to do your figures.

Be conservative in what you can afford (don't give yourself sleepless nights).

Remember that suppliers will be far more lenient than your employees when it comes to getting paid.

Sign deals on Friday and pay by cheque then use the weekend till receipts to cover the cheque if you have too.

Imagine how many businesses you could own if each business would pay for itself….

As soon as you get into the business run a promotion to generate sales and boost your bank account so you can feel confident in paying your debts. Refer back to the video store example earlier for more on this or the marketing chapter (P:54) in this book.

THE ESCROW METHOD

Before I discuss this strategy I want to say this, you must get a good lawyer to help you with this, there is a certain slight of hand involved that is legal but needs to be handled correctly to make sure you stay on the right side of the law, no business is worth going to prison for.

So get a lawyer.

OK with that said here's how it works, let's return to the negotiation table and imagine that the seller will not go for any of your "fancy" strategies, he wants his cheque at closing and that's all he'll accept.

The essence of the escrow strategy is that you insist your down payment not be deposited in an escrow account until certain post closing conditions are satisfied. If and when all conditions are satisfied, the deposit cheque will go straight to the seller. Here's the trick. The escrow cheque is only held NOT cashed during the escrow period. That, of course, buys you the necessary time to accumulate cash flow from the business to cover the cheque.

A Caringbah car wash was purchased by one of my students recently by this method. My student had promised a down payment of $20K however, his lawyer argued that the deal should be conditional upon his obtaining the transfer of the car wash from the franchisee. Which would take about 2 months. Naturally, his lawyer wouldn't hand over $20K to the seller as he might have to fight to get it back should the franchise be denied.

Therefore the agreement provided that the buyer's down payment cheque of $20K be held intact without being cashed pending transfer of the franchise.

This of course ensured that the cheque would not be cashed and the escrow agent simply holds the cheque without suspecting there are insufficient funds to honour it.

Most transactions can easily justify this method, you need permits for the business, perhaps the seller must make some repairs, or certain members of staff must stay in place for three months etc.

The astute seller will ask for a banker's cheque…. Few are however "astute".

As always this a matter of pitting your street smarts and skills against someone else and the trophy will go to the victor.

I have also used a series of post-dated cheques to buy a business in this way which whilst legally affords no more protection to the seller it has a distinct psychological advantage in that it is similar to giving the seller half of a $100 note and telling them they'll get the other half in 30 days.

MORE POINTERS ON CASH FLOW MANIPULATION

Everybody juggles cash flow.

Who at one time or another hasn't deferred paying certain bills to buy food for the house?

It's the great game of business life.

It's a game you must play successfully with your new acquisition if you expect to raise money for your down payment but manipulating cash flow to achieve this need not be difficult, simply follow my guidelines below.

Defer event possible payment

Your cash flow projections will include a weekly payroll. Consider that usually salaries make up 40% of the business outgoings it would make sense to at least ask if there was any flexibility in paying your employees, after all you're in this together; if the business fails you're all out of a job.

My advice is to start with the top paid employees on your team and offer them the following inducements or combinations thereof:

Defer salary for one month

Then be paid as per usual

And the back salary to be made up over the next 3 months with interest

Nice bonus at the end of the year.

This is the usual strategy so try this first, if this fails simply ask what they would like and then see if you can make it work.

I've seen people who wanted to work just 4 days a week, others who wanted a three month break to travel; others who wanted more flexible working hours, and the list goes on.

Be flexible, your employees will love you for it!

You can also drastically reduce the amount of money you need for merchandise by returning excess inventory and unsaleable goods.

Every business is saddled with dead or excess stock returnable to suppliers for credit. Any business can simply exchange this old or unwanted merchandise for new products that will sell and save money.

Renegotiate credit terms with suppliers, every dollar in credit is a dollar you can put towards the down payment. The credit game is not for the timid, BUT I have used this strategy to make hundreds of thousands of dollars again and again and again, this is the norm in business rather than the exception, everyone is doing it and if you aren't you're simply missing out on dollars in your pocket.

Have you ever fended off a bill collector with "the cheque is in the mail" story? Show me a business that buys $50K of merchandize a month and I'll show you a business that can put $50K towards a deposit.

I have a saying I teach my advanced students; "30 days credit really means, after 45 days people call for their money, after 60 days they start to mail letters, after 75 days their lawyer starts to mail letters, after 90 days pay your bill!"

Again it's not for everyone, you need pretty thick skin as you will piss off your suppliers, but let me tell you it's quickly forgotten when you pay and then keep paying as you grow your newly acquired business.

ADVANCE CASH FLOW

Let's return to the seller who stubbornly says "I want my cash up front". No, they are not interested in escrow, deferred cash flow or short terms notes, they simply want their cash.

Faced with such a seller, I use the following strategy which gets 99% of them over the line.

I tell the seller to defer paying his suppliers for one month and to use that as the down payment for the business.

In this way the seller gets their down payment immediately and I simply assume the sellers liabilities when I acquire the business. That's pretty easy right?

Works virtually every time as there is zero risk to the seller and he gets his money.

This strategy underscores an important point that I have alluded to but not said explicitly.

The seller does not care where the money comes from!

Now remember the statistic I said to you earlier, the typical business makes enough in a month to pay most down payments.

The Business In Effect Buys Itself

It's Like Getting A Free Business!

If that doesn't excite you you're probably dead!

I'm not advocating what I'm about to show you and I merely present it as a strategy that I have seen, you will as always make your own moral and ethical judgements about the ideas that I'm teaching you;

I am aware of one business trader who shall remain nameless who does the following variation on the above strategy, once the seller has taken their deposit from the creditors of the business he goes into the business and runs up his own debts very quickly, then he contacts the suppliers and explains that the business is in a very poor situation and he is left with a hard choice, he can either put the business into liquidation and the suppliers will lose their money or he'll pay them back over a period of time interest free.

Thereby giving him an interest free loan, the poor suppliers are left with no choice other than to agree to his blackmail (for that is what it is) and so he gets the business on a lengthy interest free loan. I know that he has used this technique to build a sizable portfolio of businesses.

Ok remember I said I was gonna teach you how to borrow 100% or more of the purchase price?

Well here's what you do; although a bank won't normally loan you more than 50% of the purchase price of a business, the true value of a business may, in fact, be substantially more than you agreed to pay for it. Every business has a subjective value. I mean what's a bakery worth? Unlike a house, which lends themselves to valuations, a small business has no "standard" valuation method.

So are you thinking what I'm thinking?

You can quite simply increase the contract price of the business for the purpose of obtaining a higher loan, and subsequently reduce the actual price to equal the borrowed amount.

Here's an example that one of my students put together. Andrew found a convenience store he wanted to buy (he's buying convenience stores so he can start his own chain, renovate them all into an identifiable brand then list it for maximum money on the stock exchange, this is an advanced strategy that I detail in my business buying course) Andrew and the vendor agreed on a price of $120K assets and $120K for the goodwill of the business payable over 7 years, a bank would normally lend $60K on this deal.

Andrew then took the contract and amended it to read the goodwill was being sold for $1 and the total price was $240. Once Andrew had secured the loan he simply amended the contract to show the original amounts and got the bank to finance 100% of the deal.

Now I'm not suggesting you should deliberately mislead a lender and you should certainly have your lawyer guide you as to the correct wording to use so that you avoid a spell in prison with a guy called Bubba, who misses his girlfriend and wants to make you his bitch.

Chapter 11

A Recap And Lots More Fast No Money Down Techniques.

OK here's the deal, I wasn't going to put this in. I was gonna offer this as a fast set of techniques to generate some interest in my book, use it as a lead generation strategy, but when I read it I figured I had to put it in as there's some great stuff in here and I just didn't want you to miss out on it.

So I've decided to put it in for you and I'll come up with some other lead generating strategies. I'm putting it in its entirety, there are a couple of the strategies that I've already covered but I give some other examples of them being applied so it's a useful refresher as well as a quick fire list of ways to put together a no money down deal.

Anyway, enjoy it.

When an investor learns how to buy a business with little or no money down it is simple to see how a small nest egg could grow to a million dollars in ten years or less. Any serious business trader knows that a well-selected business can earn well in excess of 100% per year ROI with the proper leverage. That is why investing in business has produced more wealth than all other investments combined. Business is stable. In my opinion, business is the perfect investment.

The world of business investing has been governed for years by one dominant strain of thought, i.e., in order to buy and hold a business successfully, the average person must have excellent credit, a strong financial statement, good income, lots of money for a substantial down payment, and strong collaborative support from the hard-money lenders.

This report outlines my favourite **nothing down business** investing techniques.

No 1. MONEY FROM THE SELLER

Among the nine major sources of down payment funds for business investing, the seller is no doubt the most important. If the buyer has done his selection job well he will be dealing with a person who is anxious to sell and therefore flexible with financing arrangements. The seller will need to take on a role that might be new for him - that of lender. But if the buyer is sensitive to the needs of the seller, he will foster trust and see to it that both parties win. (Lending can, after all be a lucrative business with its own slate of benefits, even for business sellers.)

This section reviews **nothing down business** techniques involving seller financing.

The Ultimate Paper Out

A former student in Adelaide was able to acquire a $48K sandwich shop from a banker who not only arranged for a new low-interest first mortgage, but also financed virtually all the remaining purchase price at below-market rates.

Another former student in Collingwood, Melbourne, picked up a small printing company for $166,500 by putting on a new business loan and having the anxious seller carry back all the rest of his equity ($86,500) for five years, no payments, no interest. Both of these investors were using the technique known as - "The Ultimate Paper Out". Here is how it works.

When we are talking about buying or selling a business, we are really talking about the problem of defining and dealing with the seller's equity. Equity as a concept is straightforward enough. Everyone knows that it represents that portion of the value of a business that is not encumbered, that belongs’ lock, stock, and barrel to the owner. But equity is a fluid concept. It can be specified only in relation to that mysterious and shifting quantity called the "fair market value." The owner has dreams about an equity value of such and such - usually an optimistically high number.

But the truth of the matter is that market forces determine his equity by determining how much his business is really worth at any moment in time. The members of the market club - you and I - gang up on the poor old seller and say collectively, "You have a nice little business, but we've taken a vote around town, and the best we could come up with is a price of such and such." At that moment in time, the seller's equity is defined, and the problem becomes how to transfer to him value equal to the equity involved.

The majority of sellers, of course, will want to hold out for a selling price at the high end of the scale. They want their equity to be overweight. No one can blame them for that but among the army of sellers in the marketplace at any given time, there are always a few - perhaps five percent or less - who say to themselves, "We like our equity and want to preserve it and derive benefit from it, but we are very anxious to sell. So anxious in fact, that we might give up some of that equity in order to get rid of the business quickly."

Alternately, these don't-want sellers might be thinking - I don't really feel like discounting my equity for a quick sale, but I would be willing to wait until later for a part or all of my equity to be converted to cash."

And that is the issue when it comes to "papering out" a deal. After the seller and the business trader have determined what equity is involved, the next step is to decide how soon the equity is to be converted. It all boils down to a matter of patience. The seller with infinite patience (and infinite desperation) will say, "Here's my equity, take it all and just get me out of this place." In a case like that the selling price is equal to the liabilities the business has.

Nb. I discuss bankrupt businesses in another chapter

The next best situation is the case in which the seller says, "Here's my equity, pay me for it when you can. Let's work out the schedule." That is the technique referred to as – Vendor or seller finance. All of the seller's equity is converted to paper (a contract) before it is converted to cash. When the buyer takes over the business, he gives the seller paper for his equity and obligates himself to redeem the paper according to mutually agreeable terms.

Not all sellers will agree to "Vendor Financing" but creative business investors should always ask. You never know exactly what the seller is thinking or how anxious he really is to sell. Perhaps only one seller in twenty will be willing to enter into a nothing down deal and of these, perhaps only one in ten will agree to "Vendor Financing" - much to the surprise and delight of the creative business investor.

The Blanket Business Loan

The key to using the seller as lender in a business transaction is trust. The seller has to trust you to pay him his equity according to the terms of the agreement you work out with him. The conventional way to "buy" trust is to give the seller a large cash down payment, that way he knows that you will not likely walk away from the business. You are going to stay around and take care of your obligations. Otherwise the seller will be able to take back the business, and you will lose not only that big cash down payment but also any appreciated value above the seller's equity.

But how do you develop trust when there is little or no cash put down on the business? How do you make the seller feel secure in such cases? Often you can develop personal trust with the seller simply on the basis of personal qualities and win/win attitudes. In such cases, the equity of the subject business itself is sufficient to close the deal.

In some instances, however, a little extra is needed to remove lingering suspicions on the part of the seller. That is where the blanket mortgage comes into play. In any mortgage or trust deed arrangement, there are two basic documents that are prepared.

One is a note given by you to the seller setting forth the terms for converting the equity to cash, the other is a security agreement in which you say to the seller, in effect, "If I don't perform according to the terms of the note, then you can take back the business ." In a cashless or near cashless transaction, the security of the subject business may not be enough to satisfy the seller.

Therefore, you may choose to secure the note with additional collateral - not only the subject business but also additional business (equity) he may have in his portfolio. The note itself stays the same, but the security agreement is changed to increase the collateral and build trust with the seller. Naturally, you will want to arrange to have the seller release the additional collateral as soon as the subject business appreciates to a predetermined value or as soon as you have proven yourself to be dependable and prompt in making the payments.

The blanket mortgage technique is not among the most frequently used in creative finance. It's best to build trust without having to tie up your other equities. Still when a seller needs that extra bit of persuasion, the blanket mortgage technique can come in handy.

For example, one creative former student recently acquired a nice motorcycle parts shop for $275K (motorbikes and scooters will sell well in this recession as people want to save money on petrol). He put a new bank loan on the business (which was nearly free and clear) and had the sellers move their remaining equity ($135K) to another business owned by him. To build trust with the sellers, he granted them a blanket mortgage that also included his equity in another business he owned. Although he did not put any of his own money into the deal (the bank provided all that was needed), he was able to persuade the sellers to agree on the basis of his neck being on the line with the blanket mortgage.

Life Insurance Policy

There is another strategy you can use to persuade the seller to play lender in a transaction. As in the case of the blanket mortgage, the key is building trust. What if you say to the still somewhat incredulous seller, "Since you are permitting me to pay off your equity in cash over a period of time, how would it be if I took out an insurance policy in the amount of the note and made you the beneficiary? That way you will feel secure that the note will be paid off no matter what."

This technique is not usually necessary. Still it is an inexpensive way to build trust if the seller cannot quite see it your way and needs just a bit more persuasion.

You can also take out insurance on the business that insures you against the business going broke or losing money. This is always good to offer as well and of course you'd make the seller the beneficiary.

Contract or Wraparound Business loans

A former student from Brisbane recently bought a sushi bar for $169,300 by putting down $10K and having the seller accept a contract for the remaining $159,300, 10.75% interest for 35 years, and payout after 12 years. The contract wrapped around a small underlying business loan already in place. Similarly a former student in Newcastle acquired a $180K internet business by putting a small sum down and having the seller carry back the rest in the form of vendor financing. These are variations of the technique referred under various names such as "contract, wrap-around, or owner carry back".

This technique is one of the most frequently used creative finance tools. It is the foundation of seller financing. Rather than refinancing the business or formally assuming the existing mortgage. You use a note as the purchase instrument. Technically you do not get title to the business until you have performed according to the provisions of the agreement. In effect, you say to the seller, "I'll pay your equity off in instalments over time. And as soon as I have paid everything off, you will give me the deed for the business, and it will be mine. In the meantime, I will act as the owner by taking over the management and getting all the tax benefits and the appreciated equity above what the business is worth at the time of purchase. Of course, all the expenses in the meantime are mine as well."

If the business is free and clear at the time of purchase, the seller pockets all the instalment payments on the contract if there are existing encumbrances on the business. Then the contract is referred to as a wrap-around contract or wrap- around business loan. It "wraps around" the existing business Loans or trust deed.

When the seller receives the instalment payments, he has to first make payments on the existing notes before he can pocket the rest. The advantage to him is that the interest rate on the total wrap-around contract will be higher than on the underlying loans. Therefore, he will be making an interest spread on the underlying part of the note - not a bad deal for a seller-turned-lender. In addition, he will be able to spread his capital gains profit out over time rather than receiving all of it during one year. The tax advantages are considerable. With the recent liberalization of instalment sale provisions by the tax dept, sellers have great leeway in how contracts are set up for maximum tax benefits. A competent accountant can spell out the detail for you.

The advantage to you is that you do not need to come up with a large cash down payment, frequently a moderate amount down will close the deal. In addition, the interest rates acceptable to sellers are usually far below conventional market rates for new financing.

In practice, a contract sale is bandied by an escrow company, which holds the pre-executed deed from the seller in favour of you until the latter satisfies the terms of the contract. Generally the escrow or title company will also hold a quitclaim deed made out by you in favour of the seller, which is to be released to the seller in case of default. It is in the best interests of you if the escrow company is also empowered to receive his instalment payments and take care of making the payments on the underlying loans before disbursing the balance to the seller. That way you can be assured that his money winds up in the right places.

An alternative form of the "contract wrap" technique is the situation where a business trader takes title subject to the existing financing (agrees to take over the seller's obligations) or goes through the formal procedure of assuming the existing financing (qualification, credit checks, transfer of title). You then sign a contract with the seller for the equity above the existing loans and make payments according to a mutually agreeable schedule.

The seller's equity is covered by a note secured by the business itself. The usual term for this arrangement is "owner carry back". The term refers to the fact that the seller carries back paper to cover the unpaid equity on his business. Terms on the paper are negotiable and vary from case to case.

Raise the Price, Lower the Terms

Seller financing has already become a convention for business transactions in the decade of the l990's. Currently nearly one-third of all business sales involve contract sales or assumptions with owner carry-back second Business Loans.

Tight lending conditions always foster seller financing of this type. Yet even though the concept of "seller as lender" is no longer foreign to the Australian way of real business transfer, there are variations to the game that give creative business investors the advantage over the competition.

One such variation is the important technique called "Raise the Price, Lower the Terms." Simply put, this technique calls for you to offer the seller more than he is asking for the business in exchange for flexibility with the terms. For example, one investor I know of recently took an interest in a clothes shop. He offered to raise the sales price by $5K if the seller would lower the down payment requirement and accept payments over 15 years. By using this technique, he out aced the competition and won over the seller despite the hue and cry of all the relatives in the background.

The Balloon Down Payment

One of my students in Manchester recently bought a small tourist gift shop for $135K by putting on a new business loan of $50K and having the seller "carry back" the rest (no payments, no interest) after a small down payment. The seller would do so only after he agreed to pay out the indebtedness after five years.

The business trader of a $245K adult video shop, assumed the existing business loan and induced the seller to carry back the remainder of his equity after the $50K down payment (obtained from a partner) in the form of a second business loan at 12%. The seller agreed, but only on the basis of a ten-year payout of the balance of the second. Both of these investors were using the technique referred to as a "balloon mortgage".

It is not uncommon for seller-financing arrangements to include provisions for a balloon payment in the future. In fact, balloons are an important inducement to get the seller to play the part of the lender in the first place. Knowing that the major part of his equity is coming in the near future, the seller is willing to carry the financing at rates below the conventional market. Occasionally a seller is willing to amortize the entire amount of the carry back over a long period of time - fifteen or twenty years or longer. Most of the time, however, the seller wants to be paid off sooner, in fact, as soon as possible. And that is the danger you must beware of - short-fuse balloon notes can rob you of health, sleep, and sometimes the business itself. In theory, the time of the balloon payment should be far enough away to take advantage of interim appreciation. Business values and Business Lease Payments must grow enough to permit a refinance solution to the balloon payment.

But what if local business values - particularly during a period of sustained high interest rates and sluggish business sales - do not grow as anticipated? You may be forced to sell the business, or another piece of business in your control to pay off the balloon. Alternately, you may have to bring in an equity-participation cash- partner to bail you out, thus giving away important benefits. In the worst case, you might have to give the business back to the seller and lose all your investment.

Despite its liabilities, the balloon payment technique can be a valuable way to get into a business for little or nothing down up front. You should resist pressures to accept anything less than five years for payout seven years or more would be preferable.

High Monthly Down Payments

This technique is a variation of "Contract or Wrap-Around Mortgage". Usually a contract sale requires at least a token down payment to substantiate the good faith of you and put a little cash into the pocket of the seller. Sometimes a hefty down payment is required, in which case funds have to be "cranked" out of the business or a cash partner must be brought in.

But what if you have nothing at all to put down except an income that gives you the ability to make monthly payments of several hundred dollars toward the purchase of a piece of business ? Perhaps the seller would permit you to purchase the business now and make high monthly payments over a couple of years until a mutually acceptable down payment has been constituted. It never hurts to ask.

No 2. THE BUYER

The second area of flexibility in solving the problem of down payments has to do with your resources. "But," you say, "If we are trying to spare the downtrodden, cash-poor business trader from coming up with down payments in the first place. Why bother to look to his personal resources?" The reason is that business investors often overlook valuable resources right under their own noses.

They frequently have personal business, talents, expertise, or equity resources that could be used to acquire desirable income - producing business without the need for cash. And sometimes they even have cash or inheritances that could be applied - there's no shame to that, if you have the money at hand! This section reviews techniques in the area of business trader flexibility.

Practitioners of the Nothing Down Business Transaction sometimes get the notion that putting their own money into a deal is somehow tantamount to failure. Nonsense! If you have it, use it, but use it with skill and creativity. The conventional business trader with $25K to spare will go out into the marketplace and plunk the full amount down on a single business.

He might find a nice business worth $60K with a $35K mortgage. His first instinct is to take his $25.000 and cash out the seller. There will be no contract payments or balloon Business Loans to worry about. Very likely there will be a modest positive cash flow after expenses and debt services are taken care of. He is happy watching his new business appreciate in value.

By way of contrast, the creative business trader takes his $25K and distributes it over. Let's say five small businesses worth a total of $300K. By using a combination of creative acquisition techniques and strategies for avoiding negative cash flows. This business trader puts down only $5K on each of the businesses. He must be careful to structure his deals advantageously, but the outcome is that he controls the growth of five times the business for the same amount of investment. His yield will therefore be much greater.

In either case, the best approach might be to use the cash resources as collateral to borrow down payment funds. That way the cash assets can remain in the hands of the business trader and earn a substantial amount of interest. The same might be true of coming inheritances that would be acceptable as collateral on loans.

Supply the Seller What He Needs

The question of "seller needs" is a complex one. Often business investors resort to sophisticated psychological observation and strategic interrogation in order to penetrate the seller's wall of secrecy. That is fine as far as it goes. But the best approach is nearly always the direct one in the form of one simple question: "What do you need the money for?" There are more subtle variations, such as, "What do you plan to do with the proceeds of the transaction?" But it all boils down to the same thing - letting the seller know that you can solve his problem best if you know what he plans to do with the cash coming to him as a result of the sale.

Often the seller has consumer needs that you could satisfy by carrying the necessary amounts on charge accounts or credit cards. In this way, the immediate upfront cash needs are spread out over time. Frequently the seller will be anticipating financial obligations that will require a set amount of cash each month beginning at some time in the future. If you are on your toes, you can help the seller translate the down payment into instalment payments that can be taken over by you in lieu of a heavy cash down payment.

One business trader I know of in Melbourne, gained insight into the seller's need for future daycare funds and persuaded her to reduce the down payment by $13,500 in exchange for his providing monthly payments toward her daycare for the next three years at very low interest. He was able to supply the seller what was needed and spare himself a heavy down payment obligation.

Assume Seller's Obligations

Often a seller is planning to apply down payment funds to debts he may have or payments that may be overdue. If you can arrange to assume these debts and then pay for them over time, he can avoid having to come up with the down payment funds all at once.

One Blacktown business trader of an equipment rental company was able to take care of the seller's arrears business loan payments and utility bills and then cover some creditor debt obligations through instalment payments. The result was the relaxation of the upfront cash requirements for the transaction.

Using Talents, Not Money

You have professional expertise that can be "traded" in lieu of down payment funds. Contractors, painters, landscapers, health-care professionals, lawyers, real estate agents, insurance agents, car dealers, merchants - all of these can provide valuable services or discounts that could be used in place of down payments. The potential list is not restricted to professional consideration either; sometimes a supply of plain elbow grease can help swing a deal in the absence of funds.

One beginning investor I know was able to assume a seller's obligations and work off part of the debt by providing maintenance and management services for the creditor. As a result he picked up his first investment business - a window washing service - for nothing down.

Borrow Against Life Insurance Policy

In an age of tightened credit availability, it is inconceivable why people will leave assets lying around unused in the cash-value accounts of their life insurance policies. But many do it, not realizing that for a pittance (perhaps as low as five or six percent interest) they can pull those funds out of their policies and apply them to other investment.

For example, an east coast student, recently put together a deal by taking the business "subject to" the existing loan, having the seller carry back a sizeable loan for five years, and generating the $8K down payment by borrowing it from the cash value of his insurance policy at 5% interest

Another investor, set up a transaction involving a $257,500 franchised juice bar by assuming the existing business loan of $125,400, planning to put on a hard-money second loan in the amount of $20K, and having the sellers carry back the rest in the form of a third loan.

However, when he went to put on the second, the lenders required him to come up with 10% down in the form of cash. He solved this problem by going to the cash value of his life insurance policy and borrowing $15,800 at 5% interest The amount needed from the hard-money second was now only $14,200, and everyone was happy. The beauty of insurance loans of this type is that the principal need not ever be paid back (except out of the death or annuity benefits of the policy).

Anything Goes

Down payments need not be in the form of cash. You have already seen how professional services can be used in lieu of cash. The same is true of personal effects that you might offer the seller to satisfy down payment needs. Cars, boats, furniture, art, clothing, musical instruments - anything acceptable to the seller might be used. I have even heard of pets such as rare monkeys or valuable cats being used as down payments. One business trader in Northbridge, NSW acquired a manufacturing business by using gems - diamonds, rubies, and emeralds - as the down payment. For another investor, five truckloads of topsoil did the trick. Anything goes if it satisfies the seller's needs.

Creation of Paper

An investor in Perth, picked up a training company for $256K as follows: assume existing $128K business loan, assume existing $17,700 second loan in 7 months, have Business Broker carry their commission of $18,500, have seller carry back a note on another business owned by the investor in the amount of $81,800, put down $16K cash (borrowed from credit card). By having the balance of the seller's equity carried back in the form of a note secured on the other business, the business trader was able to put his equity in the other business to use and leave himself in the position to be able to refinance the newly acquired business with a new hard-money second in order to retire the existing balloon second and pay off both the Business Broker and the credit card. In fact, he had a kitty of $6K left over to handle the negative cash flows for several years. The central strategy in this deal was creating paper against the other rental business already owned by the business investor.

Frequently you can solve down payment hurdles by applying the value of your other equities to the deal at hand. If the seller is amenable, it is a simple matter to prepare a note secured by your equity in other businesses or properties and hand it to the seller as all or part of the down payment on the subject business.

In effect, you're saying, "I don't have the cash to give you as a down payment, but I can give you this note in exchange for your equity. The note will generate payments to you on mutually acceptable terms. I will maintain the collateral business in excellent condition as security for the note". Then the business trader has a trust deed prepared in favour of the seller to back up the trust deed note.

What you have done is magic – you have created paper out of thin air. But your paper has value. It is solid consideration for the seller's equity and is used in good faith in lieu of all or part of the cash down payment required. If the seller is dependent on such an exchange to consummate the deal but hungry for the cash just the same, he can always sell the note at a discount for cash to a factoring company.

Not only is the Creation of Paper technique valuable in business acquisition, it permits the complete leveraging of your other holdings. Usually commercial lenders will lend only up to 60% of the value of a collateral business. If you want to borrow against your assets at levels higher than 60%, you can readily create paper against the top 40% value and use it for exchange purposes. Rarely will a seller ask for credit checks or complicated paperwork to back up such a technique.

No 3. THE BUSINESS BROKER

The third major source of down payment capital is the Business Broker. By convention, most people assume that the business commission for listed businesses is a fixed cash element of a transaction and that a seller is responsible for paying it. In fact, the commission is not fixed in any of its dimensions: rate, form, or source.

Like almost anything else, the percentage rate for calculating the commission is negotiable. Indeed, there would be legal problems if the business industry were to publish uniform fixed rates. There is nothing written dictating that you must pay a commission in cash and cash only. Of course, almost all business professionals would prefer cash. It makes a deal clean and tidy and allows them to buy food for the family table.

However, most informed brokers know that some transactions may involve commissions in the form of paper - promissory notes that may provide for monthly payments or a single payment balloon note at the end of an acceptable period. Generally the time involved does not exceed a year.

Occasionally the commission may be in the form of a share of ownership, with cash emerging upon sale of the business down the pike. Still other possibilities include commissions paid in personal assets. In the previous technique, the agent received a beautiful 0.81-carat diamond for his services. He was delighted, as are most agents who are shrewd enough to realize that a commission in an alternative form is better than no commission at all.

One of the important techniques available to you who is interested in reducing the cash down payment for a deal is the technique of "Borrowing the Business Broker's Commission". While it is true that according to current agency practice, the seller pays the commission, you are at liberty to negotiate alternative arrangements with the broker. If you can induce the broker to defer the commission, the down payment can be reduced by the same amount because the seller's immediate obligation is relieved.

At AussiePreneur we do this all the time.

Who pays for the deferred commission in the final analysis? It is negotiable. If you can strike a nothing down deal with the seller paying the commission over time, all the better. In many cases you assume the seller's obligation and pay the deferred commission. Occasionally you’ll share.

The whole point is that the flexibility of the Business Broker may be an important factor in whether the deal comes together. Since the commission is usually the largest cash obligation of the seller in a transaction, the power of this technique cannot be overestimated.

There are examples that illustrate how "Borrowing the Business Broker's Commission" works in practice. In one Canberra transaction, the seller of a restaurant arranged to pay $5K of the commission on a note, the balance being paid in the form of a business contract invested in the deal by the business investor's partner. The two notes not only constituted the entire commission, but the entire up front cash needs as well.

In another deal, this time in Glebe, NSW, a 35-unit motel and restaurant were acquired using, among other approaches, the technique of borrowing $30K in commissions ($150K in the form of a personal unsecured note signed by the business investor, and $150K in the form of a third mortgage on the business investor's home). Similarly, a note for the commissions was instrumental in closing a deal on a framing shop acquired by an investor on the Gold Coast. This technique is very frequently used. As a matter of fact, my research among my students shows that as many as 25% of the transactions involve some degree of Business Broker carry back of commissions.

No 4. THE BUSINESS

Another source of down payment capital is the business itself. The business trader who is on his toes learns to recognize aspects of a given business that might be sold off to raise funds for the purchase. The variations are endless - everything from fixtures to parts of the business itself.

Splitting Off Furniture and Other Items

Two years ago, one of my students in London was £35K short of funds needed to purchase a business. While wandering through the business premises one day pondering how he might come up with the necessary capital, he noticed a large area out back that was overgrown with beautiful ferns of the type one finds offered for sale in florists shops. Since problems often lead to creative solutions, he put two and two together and arranged to split off the ferns to raise enough money to bring the deal together. Today, the business is being developed into a multi-million pound franchise all because of a patch of ferns - and a creative mind.

Splitting Off Part of the business

In some cases a given business is structured so that parts of it – product lines or individual divisions - can be split off and sold to raise funds for the acquisition. Here's how it worked recently for a student in Hornsby, NSW. He had located an attractive mail order business with a price of $199K. Since he needed to come up with a hefty down payment - he looked at the business and saw it had three distinct parts; mail order, fulfilment and printing divisions.

By the time of closing he'd negotiated to sell the fulfilment division to a local fulfilment company who was looking to expand and the printing division to an entrepreneurial employee who was looking for a break. These two separate deals gave him a total of $174K leaving him the rest to finance from the broker and his credit card. It was all taken care of in a simultaneous closing.

No 5. HARD MONEY LENDERS

Hard money refers to funds borrowed from banks under strict conditions of qualifying and repayment, generally at market interest rates. Soft money from sources like sellers comes more cheaply with terms that are generally much more flexible. For that reason creative business investors tend to exhaust soft money sources before turning to the banking industry. Nevertheless, hard-money lenders are an important, if not indispensable source of down payment capital to which business investors, sooner or later, must turn. This section outlines techniques for using hard-money funds in creative ways.

Small Amounts of Money From Different Banks

Investors getting started are well advised to cultivate their credit at several banks in their area. Often credit can be built up quickly by borrowing small amounts from different banks and lending institutions and then repaying the loans promptly, even ahead of time. The strategy is to build up credit in sufficient amounts so that funds will be available when that promising deal suddenly surfaces and cash is needed quickly.

Credit Cards

I know of two cases involving small businesses (in this case office cleaning companies) where the business investors contributed the down payments by using credit cards. In one case an investor raised $5K for the down payment with a GE credit card, and the other a card taken out in a business partner’s name.

Except in unusual cases where the investor has acquired dozens of credit cards and uses them in a strategic and coordinated way, the amounts of cash generated by this technique are not generally large. However, where you come up a few tens of thousands of dollars short, credit cards can make the difference.

Home Equity Loans

Even in tight-money times, there are mortgage and finance companies willing to make second-mortgage loans secured by the equity in a business investor's home. Often the beginning investor will get his or her start in this way. I know of a couple in Penrith who used a $60K home equity loan to acquire two coin operated launderettes and get their investment ball rolling. They even came out with a modest positive cash flow.

Refinance Boat, Car, Stereo, or Other Personal business

Hard-money lenders are often willing to loan money secured against valuable personal assets. In one of my advanced courses recently, a client was asking how to come up with the last $20K needed to consummate a deal on an excellent bakery. He had no family, no partners to turn to, and no more money in savings that he could use, but he did not want to pass up the deal. I asked whether he owned a car or truck. He replied that he owned a new Lexus free and clear. "Why don't you try to refinance your car for $20K?" I suggested. A light went on, and he headed for the banks to see what could be done. Not all lenders will welcome him with open arms, but he will eventually find one who will.

No 6. PARTNERS

The next area of flexibility in creative finance is the use of partners for those who rationalize their investment inactivity on the basis of having no money, no credit, no financial statement, no equity, etc., I have the following response:

"If you don't have it, someone else does."

The strategy is to make that someone your partner if you cannot bring the deal off in any other legitimate way. Assuming that you have exhausted all other areas of flexibility, there are many quid pro quo arrangements you might use to involve a partner. Five of them are covered in this section.

Borrow Partner's Financial Statement

Many investors without strong financial statements feel they must approach sellers with fear and trembling. Not necessarily. If the deal requires partnership support in this area, a successful investor will add to his team the strength he needs and go into the marketplace with confidence.

For example, a creative student in Brisbane induced a seller to discount a manufacturing business by over 20% and finance most of the value of the business, largely on the strength of his partners' financial statements. Both of the business investor's partners happened to be millionaires, not bad company to keep when facing an experienced seller.

Borrow Partner's Money for Down Payment

Frequently an investment partner can be persuaded to loan you all or part of a down payment. The loan may or may not be secured by a trust deed on the business. In any case, if you are short on funds for the down payment you're probably better off to avoid giving the partner an equity position in the business unless absolutely necessary. Equity sharing partnerships are costly when calculated over the entire life of the investment.

Two case studies in this section show how investment partnerships can contribute to the success of business purchases. In one transaction, an equity-sharing partner on a franchise deal was able to raise $50K of his contribution by borrowing it from his mother. The business trader of a removal company in Canberra did a similar thing. His mother came up with $30K as an investment to help him buy the business. (It was not just a case of maternal support - the women were shrewd investors who received a good return on their money.)

Borrow Partners Money for down Payment Until Your Money Comes

In this variation, the partner does not have to leave his cash investment tied up in the business in exchange for an equity position: he gets it all back plus interest as soon as you can put together the case. The partner puts his money to good use and still comes out with part interest in the business.

Your Cash Flow/My Equity Or Some Combination

Often the partner provides something other than cash to make the deal fall together. There are many illustrations of this technique. For example, a partner in a business acquisition in Gosford recently provided some stock that was used as collateral in order to borrow $20K essential to the deal. Like I said: "If you don't have it, someone else does."

You Put Up the Cash; I Put Up the Time and Expertise

This is the most common partnership arrangement: In exchange for cash needed at the front end, and sometimes cash to offset negative cash flows and balloons, the partner receives an equity position in the business.

In a case from one of our students, for example, she was a beginning investor with only $1000 rent money in her pocket; she was able to close her first deal using $20K from a partner. In another recent student case, a father and son team located a partner with the $70K needed to get into a business. Somewhat bigger stakes were played for in a Sydney transaction completed by one of our advanced students: the business trader lined up several partners to provide the cash needed ($1.4 million) to close on a $10 million a year business. Regardless of the amount invested by partners, the principles are always the same.

No 7. OPTIONS

This final section treats a group of special creative finance techniques that permit a business trader to gain control of significant amounts of business with little down, even though ownership may be months or years away - if ever. The principle is simple: the person buying the option gives the seller a sum of money in exchange for the right to buy the business at a given price within a defined period of time. The business trader benefits by locking in the price and gaining control of the business without a large investment. The seller benefits by retaining the tax advantages of ownership while locking in the sale at an acceptable price or picking up the option money in the event the business trader decides to back out.

Equity for Options

Other assets besides cash can be used as an option payment. Personal business (cars, trucks. equipment, collectibles), equity resources, and even services can work just as well.

Sale Option Back

What if a business owner needs to sell their business now in order to raise capital but wishes he could eventually have it back to take advantage of predicted appreciation and future growth? What can be done for him? The Sale Option Back technique is cut to order: the seller disposes of his business at a moderate discount but with the option to buy it back within a specified time frame at a price fixed now. Whether or not the option is exercised, you win: and the seller has the choice of getting his business back if future conditions develop as planned.

Lease With An Option To Purchase

This is the most common form of the option. Business investors who don't have enough cash for a down payment or who wish to build up a portfolio of businesses using this technique can use their available funds as option money and then manoeuvre for purchase later on. Meanwhile, if monthly payments have been carefully structured, the business trader (optioner) might be able to pick up a little extra cash on sublease payments.

There are numerous examples of this technique, which is used frequently by investors. For example, the business trader of a convenience store in Melbourne initiated his program recently with a six-month lease option. The reason? He did not yet have the down payment funds, and besides, the seller needed to hold the business a little longer to qualify for long-term capital gains.

One of our students has used this technique to great success to “flip” businesses; he options the business for 2-3 months for a small amount of money and then gets to work selling the business at a higher price!

With his increased knowledge of creative deals it doesn’t take him long to find someone who wants the business but is not sure how to buy it, of course he can show them LOTS of ways to buy the business and so simply sells the business to them and then buys the business from the original seller.

This ingenious method has netted him just over $370K this year alone.

The important thing to remember in applying these techniques to advance your own business portfolio is that not all of them are essential to your success. Find the approach that suits your needs and matches your resources and goals. Most purchases involve combinations of one, two, three, or four of these techniques.

Many times an investor will hit on just the right approach for his/her situation and use it over and over again. It becomes a cookie cutter "that punches out the dough" time after time.

So there you go, as you can see there are A LOT of ways you can put these deals together. The trick is to try, because if you don’t even ask you’ll always get a “no”.

I train people from all over the world to do this and let me tell you that I am constantly amazed at the deals that can be put together. It is simply a matter of working with the seller; after all you both want the same thing ultimately.

OK next up is one of my personal favourite strategies; you can make some SERIOUS MONEY by buying unloved businesses and growing them back to greatness….

Chapter 12

How To Make A Killing With Business Turnarounds

Nothing can make money for you faster than mastering the art of business turnarounds. Sounds far fetched?

Believe me it's not. And the best part is the skills are VERY learnable and there are literally thousands of great businesses that can be purchased for just a few dollars!

Think I'm kidding?

Did you know the clothing company Laura Ashley sold all its USA shops for 1 dollar or that the company that publishes TV Guide sold for a single dollar, just a fraction of the actual magazine's newsstand price. Sound implausible that the 3.2 million subscriber magazine sold for the price of a Twix bar? TV Guide Magazine's owner, Macrovision Solutions, disclosed in an SEC filing that it sold the publication to OpenGate Capital, for just $1, also agreeing to loan OpenGate up to $9.5 million at 3 percent interest -- which sounds like a pretty great deal in this credit market.

I love Formula 1 car racing but get this, this year Mexican billionaire Carlos Slim purchased the Honda racing team for 1 dollar.

Think about that.

Duncan Ballantyne started on his path to a fortune by buying distressed companies and doing turnarounds… he's now worth north of $100 million…..

OK enough proof, someone else's problems can work for you. I don't care what size or type of business you want or whether it's in Sydney, London or New York. The techniques for buying and making money with troubled companies always follows the same principles.

The startling fact is, companies in trouble can present incredible opportunities for a no cash takeover. Some of the very best deals I have seen have involved company's just one step from the auctioneers hammer. Imaginatively exploited, these companies have created many many millionaires.

Here's the BIG IDEA for you to take away.

There's No Such Thing As A Bad Business. Only Incompetent Business Owners And Managers.

I love listening to people tell me their 'excuses' as to why a business failed… it's like a chef blaming his knife for a poor meal, it's total bull shit.

In reality a bad business is the victim of stupidity, whether it's a unfocused entrepreneur trying to do 10 things at once (I see this A LOT) or a business owner who started to believe his own press and took on more than he could handle to a absentee owner who'd rather wine and dine the ladies than make sure his business is humming.

I've seen it all and what's great to me is that they all blame the economy or some competition or a staff member …. Anyone other than themselves who's the real cause of the failure.

To me this is gold, I love to snap these poorly run businesses up get them running properly then sell them on with vendor financing to good managers, it's made me a lot of money and it's frankly the easiest thing in the world to do…. If you know what to do.

One of my students recently purchased a printing shop from the bankruptcy courts, for $100, why did it fail? There were 3 partners in the business and each one thought their dick was the biggest!

Their ego's totally got in the way of running the business and they spent more time squabbling than they did running the business, consequently it failed.

My student picked it up for a song, did a quick 5 month turn around and has just resold it for $280K, vendor financed over 7 years at 7% interest with $30K down… not too shabby for 5 months work. And get this, she does 2-3 of these a year, and she's gotten so good at it that now people are bringing her deals all the time she doesn't even have to go find them anymore and now she just picks and chooses the ones she thinks will yield the most money for her in the fastest time.

She's an ex dental assistant!

Still another student was offered a clothes shop in a poor end of town, the business was good and the clothes were great with good suppliers and importers set up, but the area that the shop was located had fallen on bad times and the owner had no idea how to attract new customers, so it failed.

My student purchased the assets of the shop for a dollar including $23K of inventory, she re-opened the shop up in a nearby suburban shopping arcade where she knew attracted the customers that the clothes would suit and within a month she'd sold out all the inventory and made a fast $25K profit as well of course as now owning the shop free and clear, let me tell you a shop that makes $25K a month is worth a lot of money.

The list of turnaround opportunities is endless, managers often do not deserve the title, any number of things can go wrong for them, from illness and divorce to theft and more, the business itself is inherently neutral, the people who run the business are the ones who create success or failure. Think about that….

So lets move on to how to actually spot these companies, well there are a number of ways I find these companies, firstly I run a small advert in our national newspaper, it costs me $100 to run and I always get lots of enquiries, here's the ad I run:

Facing Bankruptcy?

Call me first, bankrupt business purchased and distressed assets taken over.

Walk away from your problems free and clear and get back on the fast track.

Call – 1300 ***************

Or go to – www.neilasher.com

Pretty simple right?

That ad works like a charm, as I said I get on average 10 or so responses from that ad and all are usually good opportunities.

I'd also recommend searching in your local paper for the auction section, where others see restaurant equipment for sale I see broken dreams and failed business. The auction pages are the obituary pages of the business world and the auction houses the funeral parlours. With each business owing thousands upon thousands of dollars to creditors.

BUT

Unlike a person who's died a business can be resurrected.

I would however suggest that the very best and cheapest (free) place to find these businesses is on the high street, this way you can spot them before they hit rock bottom and you'll usually have a healthier business to turnaround.

There are three proven ways to spot a company that is in trouble:

1. Visible signs

2 Financial signs

3. External information

Visible signs can loudly announce problems within a company, particularly a retail store where its operations can be readily observed. Stroll down your high street and you can predict with incredible accuracy who's in the shit and who's doing well.

Check for low levels of inventory, it means either the owner is operating week to week as they can't get credit or they are poorly merchandising and sales and profits are suffering.

To tell the difference is easy, if the owner allows a $50K inventory to steadily drop to $25K it is likely they are draining inventory to cover cash flow and operating losses. Sometimes you can spot a dummied inventory, twelve across but one deep assortment of soup or cleaning products, or one display devoted to a big stand of weird sized clothes.

Such practices remind me of a bald guy who does the 'comb over' to cover his baldness like Homer Simpson. Try as he might it's obvious to even the most distant observer he's bald.

The equipment can confirm the same story, is it worn, damaged, in need of replacement, poor lighting, tired paint all represent signs of trouble.

Once you get to the negotiating table you'll get to confirm your suspicions and although the numbers can be fudged your accountant will have no problem spotting it. How much debt is owed? How old are the payables? Can the business make all its loan repayments? To what extent are creditors closing in? How much is the owner taking out of the business according to the books? What do you think he's taking out "off the books"?

If you look you'll spot two things quickly:

1. Precisely how much trouble the business is in and consequently how desperate the seller is.

2. How to best structure the takeover, using liabilities as the financing block.

This brings us nicely to external sources to help locate good deals. To spot these deals fast you've got to play a bit of Sherlock Holmes. I'd check the following for the best leads; business suppliers, bankruptcy lawyers, insolvency specialist accountants, turnaround consultants. Want to check a specific business? Talk to the landlord, and definitely talk to their suppliers, if you're not sure who they are simply watch the business and see who delivers.

Sometimes the firm's employees are a wealth of information; you might invite one of them out for a couple of beers/wines to loosen their tongues.

Has the company recently had any judgments filed against it? What does the business credit report from Dunn and Bradstreet tell you? Believe me lots of great businesses go under every single year, you know the stats, more fail than survive. You won't have any trouble finding them as they stick out like dogs balls (I almost put a picture here to demonstrate, but even I have some decency!).

So now you've found your troubled business it's time to talk to the seller, remember this, a business is an extension of the owner so tread gently, if the business is failing then the owner (secretly) knows that ultimately he's failing.

So expect his ego to be involved and in full protection mode. So never confront the owner with the obviousness of their failure, you'll back them into a corner and they'll fight like a cat in a bag to get out.

No, this is not the way to success. You must allow him to save face and work with him to blame external circumstances for the failure of the business, some well timed flattery will lift his self esteem and have him eating out of your hand in no time. Downplay the problems. Remember that the seller will probably have already tried to sell the business and had buyer after buyer slam his failure in his face, then tried to strong arm his business away from him, this I assure you will lead to resentment and very seldom create a cooperative seller who wants to help.

One of my students successfully acquired six businesses in a twenty four month period all with no money of his own. Each one was in serious trouble. To win seller cooperation, he wisely used flattery to woo them. First he told the seller "I've fully analysed your company. Since I'll have to put a lot of money into it to develop it's full potential, I can offer you very little for it. However, you are its most important asset. I'm only interested in it if you stay on. I can provide the money the business needs but your continued involvement is a must if this business is to work."

Imagine a seller waiting for my student to tell them how screwed up the business is because of them and that bankruptcy is just a gnat's gonad away, when they hear that they are integral to the success and their management prowess is praised, it's easy after that.

Now let me tell you MOST sellers want out. They're sick of it so you'll usually get a polite response saying they cannot as they have something else lined up. To this you must profess sadness and ask that they at least spend two weeks teaching you everything they know.

So much for the psychology of the seller, later I'll teach you how to put some cash into their pocket if they insist (most won't) but first lets finance the takeover.

OK FINANCE 101

If a company has $100K in assets but also has $100K in liabilities how much should you pay the seller for the business?

The answer is an obvious one, nothing.

You see the built in liabilities form the payment for the assets, in effect you simply agree to take on the liabilities and the seller walks away. That's simple enough right?

OK lets go deeper, step by step; first you find a company, analyse it from every angle until you're convinced you can make it work, it's in obvious trouble, the sellers asking $75K, but the books show the business owes $60K to creditors, at best the seller can only clear $15K should you pay the asking price. Once the seller admits the fact you have locked in $60K of financing, now you have $15K to create to own the business, to do this refer to some of my other strategies throughout this book, I'm not going to go over them again here.

So the formula is a simple one:

1. Calculate outstanding debts. This may involve loans, taxes, accounts payable or expenses payable, the actual nature of the debts is not important, what's important is the total amount the seller would have to pay should you pay all cash.

2. Agree to accept the debt for all or part of the purchase price. Thus structured, the deal may require little or no other down payment.

Just a quick point to make, for this deal to work you'll need to buy a company's shares rather than its assets, there are legal implications to that, not least of which is you being liable for any debts in the company if you are aware of them or not, so be sure to do your due diligence well. The last thing you want is a nasty surprise. Also you cannot do this with a business that is trading as a sole partnership for instance simply because liabilities cannot be transferred so readily this way….. I haven't covered all the different sorts of business structures, again simply due to the nature of this book and the space restrictions suffice to say do some research and learn about it or simply get your accountant to let you know.

Some sellers also sign personal guarantees for debts they owe (don't ever do this!) thus making it impossible for them to transfer the debt, so they will be reluctant to let you assume the debts as assumption is difficult to do. For instance if the seller has a bank loan the chances are he will be personally liable for it and so if he lets you pay it and you fail to make repayments it is not you the bank will chase it is the seller… great for you! Crap for him ☹

If they exist personal liabilities are a stumbling block, although you can work through it like this, convince the seller that if he doesn't sell, the business will not survive and he will face personal liability, but with you at the helm, the business will have a much better chance of repaying the debt, this is simply a better of two evils decision for the seller, either go broke himself or give it a shot with you.

If that doesn't work simply sign a personal agreement to pay the debt, this way you provide the seller with the right to pursue you personally for the debt in the event that it all goes pear shaped. Limit the amount to the personal debt only, DO NOT sign personally for more than you have to.

In my opinion having said all that, if you are unlucky to find a seller with personal liabilities I'd suggest you walk away and go find another business, there's plenty more fish in the sea.

Ok here's how to put some cash into the sellers pocket if you absolutely have to.

Simply put, offer to pay the money on a repayment plan, that way the seller will walk away with something and thus save face and you can pay the seller out of your future profits, you could also offer to simply buy 90% of the business with you assuming all the debts and the seller getting 10% of the profits, again this is easy to negotiate as the alternative is simply nothing or worse nothing AND bankruptcy. Remember you can offer the seller employment but if you do be sure not to tie yourself into a long term contract.

WANTED: Insolvent Companies, We Pay Cash Directly To The Seller

I just spotted this ad in the Financial Times, no doubt it will be the same deal as ads we run, get the seller in, offer to take over his business and simply assume the debts, turn the business around and cash the checks!

OK, next I want to teach you;

How To Make Instant Money When You Buy Distressed Assets (Companies).

Suppose you find a company with assets of $100K and liabilities of $150K on paper this looks like the sort of deal that the seller should be paying you $50K for not you paying them, but let me demonstrate how you can make some fast money from this deal.

Here's the magic of instant equity, assume you take this company over for nothing and you assume all the liabilities of $150K what you do next is very easy, simply call all of the creditors that the business owes money to in for a round table meeting, be sure to call them all and get them all to agree to meet.

Then get your accountant to look at the assets of the business and to value them at 'fire sale' prices, this simply means the value they're worth if you had to liquidate the company and sell the assets at auction.

Nb usually your assets have an actionable value of ten cents on the dollar or ten percent of their book value.

So your $100K assets are now valued at just ten grand if you had to liquidate the company, get your accountant to put that in writing and then print off enough copies so that each of your creditors can have a copy.

Then when your creditors arrive for the meeting, sit them all down and go through the accountant's fire sale valuation and explain to the creditors that the company is only worth $10K to them collectively, re-enforce that you want to pay them BUT you cannot pay them the full amount. Then offer to pay them fifteen cents on the dollar of the monies that are owed to them.

Explain that this means fully fifty percent more to them than if you had to put the company into liquidation, and that to make this work you'll need to arrange payment terms to pay them off (negotiate as long as possible) also explain that you want to carry on using them as suppliers with 30 days credit.

Now they will be pissed off, believe me, they'll scream blue murder at you and call you a crook, but the logic will be compelling for them and they will ultimately give you what you want.

So now your liabilities have gone from $150K to just $22,500.00 (15% of $150K) and you have assets of $100K giving you a fast $77,500.00 in equity.

Money from nothing.

This strategy is brilliant if you're buying businesses to do fast turnarounds then sell them on again.A company with more assets than liabilities is a saleable business that can be vendor financed to an energetic entrepreneur as her first business. Whilst you realize your financial gain over the next 5 years at 10% interest.

One quick idea for you if your creditors won't play ball is simply to bankrupt the business then buy back the assets yourself at auction in effect discharging the debt and simply paying the ten cents on the dollar to get all the assets back, I've only had to use this myself once but I have MANY friends who've done this and more often than not with their own companies to discharge debt and start afresh.

In business they call it a "Phoenix", i.e. the businesses rises from the ashes.

PROFIT

Now let's talk about PROFIT god I love profit, y'see creating a solvent business is just the prelude to creating a long term healthy business, my goal is always a long term healthy business, in fact my barometer is to create a business that my 16 month old daughters' (Isabella) children can benefit from when they're born.

I like to think long term.

So here's two quick strategies to get a healthy business fast.

As I mentioned earlier one of the reasons I see a lot of good businesses fail is the lack of focus from the owner, I call it 'entrepreneurialitis' and it can be defined best by 2 brilliant quotes from my 2 favourite eastern philosophers:

"Opportunities multiply when taken" – Lao Tzu

"Man who chases 2 rabbits catches none" – Confucius

When your business starts to do well, and it will, you will suddenly find people coming out of the woodwork offering you the chance to get involved with some new project, success breeds followers, and so you'll find yourself with some great opportunities to take advantage of, the trick is to stay focused on one thing until it's finished, and finished in this instance means sold to the next owner or running AND growing under a good management team.

Until then stay focused, now believe me when I say this, you're going to get to this position and you'll ignore my advice, I did, and you'll get a lesson or some 'business experience' which will cost you a lot of money, BUT as long as you get straight back into the game it's money well spent.

It’s only a failure if you give up.

So anyway, stay focused (you won’t) and save yourself the money, IF you must learn the lesson the hard way and you want to avoid the pain of losing a business simply send me a check for $150K and I’ll donate it to my wife’s Channel Handbag Fund ;-) that way you can lose the money and keep the business.

Next up, refinance the business, once you’ve secured your business and negotiated the creditors you’re going to have a company with more assets than liabilities, so now go straight to the bank and get them to loan the 50-60% against those assets, in effect giving you some fast cash for re invigorating the business or to put into your pocket.

As you can see business turnarounds are very lucrative and with the right training and skills you can make A LOT of money, as always I’m limited what I can teach you in one chapter of my book, which is a shame as there is some very cool stuff you can do.

So anyway as we speak I’m actually doing up the outline for book all about this highly lucrative subject, if you’re interested in getting onto my advance list I’ll e-mail you the first draft for free all I ask is that you give me some honest feedback on the book and if you like it write me a testimonial, fair enough? If you want to be on the advance list click here:

Note- as I write this I’m also reading Ted Turner’s brilliant new autobiography, Ted started his business career with a nothing down deal to turn around a distressed billboard company, he’s since parlayed that into a $7 billion dollar fortune and a little company called CNN.

Chapter 13

You Own A Business Now What?

Or How To Get Everyone To Do What You Want ;-)

Ok you've followed the plan, negotiated the deal, and acquired the business….

NOW WHAT!

Well now the fun begins, we enter the world of management, or as my friend Katherine Hosie (Possibly the best executive coach in the world) likes to call it, herding cats!

So here's what to do to ensure the following two things happen:

A. it's a smooth transition to you being the boss.

B. the business works better.

Advice from a CEO:

If I ever leave one day and you become my replacement do the following when the shit hits the fan:

1. Open the drawer beside you and you will see 2 letters marked 1 & 2.

2. Open letter 1 and it will advise you to blame any problems on your predecessor (me).

3. If the shit ever hits the fan again open letter 2

4. Letter 2 will tell you to sit down and write 2 letters.

This common tale has lots of truth in it, when I first acquire a business or sell a business I tell the guy who purchased it from me to spend the first 1-3 months blaming me for anything that goes wrong in the business, as the new owner you get 3 months max, then if you're still screwing up people just think you're an idiot.

So I offer this as the first piece of advice:

Blame The Last Business Owner For Everything.

As I said you'll get 3 months, you can make a scape goat of the business owner and any ill will amongst the staff will walk out with them.

You get to start with a clean slate. Which is a great place to be.

OK next I suss out the staff who I've inherited.

I usually change nothing at all in the first three months unless I've purchased a turn around then I change everything!

No, for the first 3 months sit tight and watch what happens, I learnt along time ago that what people say and what people do are two VERY different things.

So just watch, talk to your team, see how they felt about the last owner, ask them a lot of questions and ultimately find the lamest person in the team then,

Sack them.

I always try to sack one person who is lame and make sure the rest of the team find out, this create friction no doubt but also lets people know you're serious and won't take any BS, this is important, if you have kids you'll understand the necessity to set boundaries.

So sack someone who's lame.

Hell Jack Welch at GE used to sack the bottom 10% of his workforce every year and of all the business owners I've ever met I never hear "I wish I would have been slower to sack them".

The opposite is true, so take a deep breath and get it done.

OK now you've set the tone for the workforce the next 2 things are critical for your team to work properly.

Talk to the staff one by one and tell them about your dreams and goals for the business get them excited and ask for their help and what they would do to make the business better.

Your team has to trust you, they must believe that you have a dream for the business and that what they're doing is important to that dream.

So one by one bring them into your office and tell them your plans for the business, why you purchased it, what you want to do with the business, as much as possible.

Then once you've gone through your plans, ask them theirs, find out their dreams and goals.

- Why are they working at the business?
- What do they most enjoy about their job?
- What would they change if they could?
- What do they do that they hate doing? (see if you can outsource this)
- If they had purchased the business what would they change?
- What are the customers saying about the products?
- What do they do that wastes a lot of time?
- Who is the best person on the team? Why?
- Who should the previous boss have fired ages ago? (phrase it that way)
- What opportunities do they see to make the business better?
- What are they spending too much money on in the business?

- Too little money on?

Etc etc

Keep asking (and taking notes) until you you've got some ideas and understand more about the business.

Do this with every employee, from the janitor to the sales person, receptionist to the bookkeeper.

Then make a plan, try to incorporate an idea or suggestion from everyone and then bring all your team into the boardroom or coffee shop so you can talk to them all (pay them for this) and go through your new plan and tell them all the great suggestions you have received and what you are going to implement and who suggested what.

This will do two VERY important things;

1. Let them know you listened and respected their ideas enough to implement them

And

2. Enrol them in the success of the business.

Believe me if they know that you are working on their ideas in the business they will work VERY hard to ensure the idea works.

This works really really well.

OK once that is done you will have a team that are all on the same page, feeling motivated to succeed, with good boundaries in place who are enrolled in the success of the business.

Now, go start a fight!

I got this from Dr John Demartini, the guy is a freakin genius.

Did you ever notice that the only time opposing nations or people ever pull together is when they are being threatened from some outside external force?

Or if you have brothers or sisters you can be fighting like cats and dogs one minute but the second someone messes with one of your family you all work together to help each other?

Or did you ever think about the level of compliance in the army in war time Vs peace time?

If not, go read Machiavelli the prince it's a great book on this (see the end of this book for more details).

But think about it, you see it everywhere. Team spirit is created by a common enemy as much as a common goal.

My advice is to start talking about a competitor a lot, compare yourself to them, talk about them taking your business, putting your team at risk, threatening all your livelihoods.

Create a nemesis.

Someone to focus all the competitive energy on, my advice is that it's better they are competing with an external company than fighting amongst themselves.

I've seen this literally get rid of office politics overnight.

It works, create an enemy, and get everyone to focus on beating them.

Cash flow!

Let me tell you I've found to my peril that profit and cash flow are VERY different things.

I had an education company that my team and I worked incredibly hard to build, seminars all over Australia, rave reviews, fantastic team members, and I blew it.

Here's how, basically I was a moron and let my dick (ego) get involved with the business, I had started the business with my wife from zero and after 2 years we were at 8 million in sales.

Let me tell you I thought my shit didn't stink.

I was "Mr Business" and could do no wrong, or so I thought. What I failed to realize was that although the business looked great to outsiders it was not working and had terminal cash flow cancer.

The business was making good money BUT not receiving that money fast enough to pay creditors, so I couldn't make payments and eventually the whole thing fell apart.

It was without a doubt the hardest lesson I've learnt, it hurt like hell, my ego was crushed and I basically hid for a while and nursed my business bruises.

Well I was lucky enough to have 2 people say 2 very different things to me that turned that around:

"It's only failure if you give up"

And

“Everyone can be a genius in hindsight”.

So I got back in the game and here we are, so for you here’s what I want to share.

Do this first when you’re looking at the financials of the business you’ve acquired; go see all the suppliers and get them to extend credit.

Do it whilst you’re ‘new’ and they want to build a great relationship with you.

It’s just like going to the bank; the bank wants to give you money you don’t need and hates to give you money when you’re desperate for it!

Same applies here, get extended supplier credit, make sure your business is cash flow positive and if you’re unsure what that means it’s simply the business gets money in before it has to pay it out.

This is critical and FAR important than making a profit at the minute.

Poor profit is fast to fix but cash flow will kill your business super quick unless it’s sorted.

Once you’ve done that go back to your suppliers and ask their advice about your business, what would they do, how would they grow it, how can they help you, who can they introduce you to etc

Believe me they have a vested interest in you doing well because if you do well they do well.

This is particularly powerful if you used supplier financing to acquire the business or you made a supplier a partner in the business.

Let’s talk about costs next, do a little experiment today, write down all the personal costs that you have in your life on a sheet of paper, so write down for instance:

- Mobile $99 a month
- Gym $65 a month
- Yoga pass $100 a month
- Internet connection $89 a month
- Car insurance $100 a month
- Road side rescue - $35 a month
- Satellite TV - $60 a month

- Spanish Flamenco Guitar lessons - $200 a month
- Eating out - $300 a week
- Clothes - $500
- Movies - $50
- Day-care - $500
- Babysitter - $50
- Etc etc etc

Get the idea, you will be shocked! I was!!

There is stuff that I was paying for that I no longer used or not to the extent I paid for it, for instance I had satellite TV….. I haven't watched TV for months, I watch about 1 show a week, the rest of my time I watch something on Youtube if I want to see something.

I spend $300 a week eating out!

AAAAGGGGHHHHHH!!!

Get the idea, OK do it it's a great exercise, and just as in life costs creep up so too in business, so sit down with your bookkeeper and go through each and every cost and do one of three things with each:

1. Renegotiate it and ask for an immediate 10% reduction if you must keep it.

2. Put the contract for supply out to tender, so approach 5 people in your area who can supply you with this service/product and get new prices and TELL your current supplier to bid as well.

3. Cancel the cost, just stop doing it.

Believe me every 10% you save in costs is equal to increasing the revenues in most businesses by 50% so to put that another way if you cut your costs by 10% you will probably double your profits in most businesses!

Go through all the costs with your accountant and be merciless about trimming them and/or renegotiating them, you'll thank me for it.

Ok so we've sorted out your team, got your cash flow in order, you can check out the marketing chapter of this book for profit producing strategies and so let's get your product and service in order now.

Easiest way to do this…..

ASK!

When you got my book you would have seen a link with me asking you to tell me about you so I could learn what you want and how you want it.

I do this because I'd rather not guess, and to make it worth your while I even give you a $97 present ☺

You have got your $97 pressie right?

If not you can get it here:

claim your $97 gift here

So as you can see I want to learn what you'd like to know so I can better serve you, now in business this is revolutionary!

How many times has a business asked you what you want from them, how they could serve you better, what they do that you like, dislike etc

It's happened once to me and it knocked my socks off, now they did something that is not magic BUT doing it means they have a customer for life with me.

They Give Me What I Want!

Rocket science eh?

So Einstein, when you acquire the business go speak to customers I recommend 10 of them at least and ask them the following questions (add more of your own as well)

- How long have you been a customer of ours?
- What made you start using our services in the first place?
- Why do you continue to use us?
- If you had to sum up what made you shop with us in 1 sentence what would it be? (this is your actual USP, rather than what you think it is)
- What do we do well?
- Where could we get better?
- Imagine that we gave you a 10 out of 10 customer experience, what we would have done to provide that?
- If we wanted to lose you as a customer what's the fastest way for us to do that?
- Does anyone in our team standout as great to deal with?

- Would I be able to use what you've said to me today to let other people know about our service?
- Thanks for helping us out Mrs Customer to show my thanks here's 2 free tickets to the movies.

Add some of your own questions but essentially you're trying to find out what makes people shop with you, that way once you know you can play to your strengths, alter your USP, alter your business to match your new USP, find and target more customers who will be loyal to you and finally better serve your current customers.

Makes sense right?

I'd recommend doing this every year at least with 10 new people.

OK that takes care of why people buy from you now let's work on why people don't buy from you.

Same strategy, different customer.

This time I want you to contact 10 customers who no longer buy from you find out why, what happened and how can you solve it.

Here's how to do it.

Go to your customer list and find 10 people who no longer buy from you, if you don't have a customer list ask the guys on your team they'll know people.

Then call them up and say:

"Hi (name), this is neil asher calling from XYZ services, I've just purchased this business from (whoever owned it) and I'm doing some research to make the business better, could you spare 2 minutes to talk to me please?

Then either ask these questions or reschedule a time (everyone is happy to help someone in my experience who has shown they are willing to learn.

So the questions are similar:

- How long had you been a customer of ours?
- What made you start using our services in the first place?
- Why did stop using us?
- If you had to sum up what made you shop with us in 1 sentence what would it be? (this is their version of your USP, check it matches what your present customers think it is, if not that's good, it means it was poorly communicated)
- What did we do well?

- What did we do badly?
- Imagine that we gave you a 10 out of 10 customer experience, what we would have done to provide that?
- Does anyone in our team standout as great to deal with?
- Terrible to deal with?
- Do you still use those services now and if so who provides them to you?
- What do they do really well?
- What could I learn from them?

Simple right, again thank them for their time and offer them a free something to get them to try you again to win back their custom.

If you follow this plan you will be amazed at what you will learn about your business, product, service and team.

So that covers some of the more interesting things I've learnt about taking over a business and making it work.

I'd say this though as my parting words, a fish rots from the head down. Meaning if you're disillusioned, bored, apathetic and uninspired by the business rest assured your team will be, I have learnt from experience that once you start to feel bored it's time to SELL.

Before your boredom screws up the business and you have nothing to sell. Sell to one of your team or an outside investor on no money down terms and you'll sell quickly and at a great price.

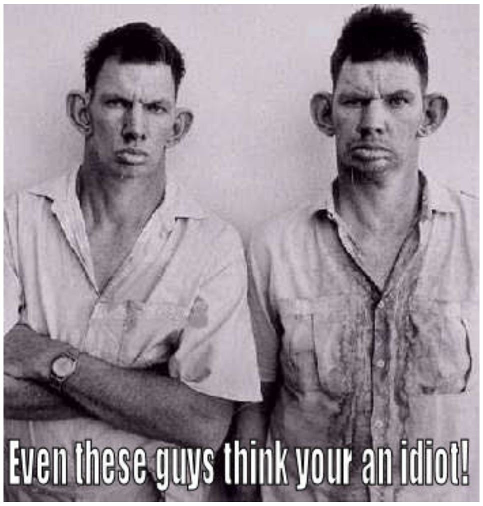
Wait too long and you'll be forced to fire sale it, not smart, and on that here's some other things I've learnt through personal experience that are not smart!

Chapter 14

How To Lose $8 Million Dollars In One Day And Other Things To Avoid When Running Your Business

Some quick thoughts and things I've learnt along the way that I wanted to share with you but couldn't put them into the other chapters, so this is a sort of miscellaneous chapter. Ok first up;

You're gonna meet some people who're going to tell you this cannot be done.



Without a doubt, they're everywhere. Here's what I've learnt about these people, they're losers. That's kinda harsh…. but it's true.

In my experience these people all have the same thing in common; they've mentally tried it and decided it cannot be done rather than actually approaching sellers and doing what I'm teaching you to do.

For the most part these people are just scared to try something new and so what they do is they try to stop everyone else from trying stuff that scares them so that they do not have to confront the reality that they're just chickens, plain and simple.

Now there's nothing wrong with that, god forbid everyone who reads this book has the balls to actually go out there and do this... no. if you all tried this and realized how EASY it is that would be no fun at all.

;-)

So here's what I suggest, in fact 2 things 1. don't tell people what you're doing, just quietly go about achieving things in your life then one day they'll come a point that you have belief in it (remember earlier I said believe in me till you believe in you?) and when you have belief in you then you'll want to teach this stuff... it happens to us all.

2. Get around the right people, hang out with people who are actually doing this and making incredible sums of money doing it. Then magically some of what they do will rub off onto you and almost through osmosis you'll find yourself putting deals together and making shed loads of cash as well.

If you're serious come to one of my courses, I train all over the world, I teach advanced material and hold nothing back.... I think it's obvious I'm not your average "feel good" kinda guy ;-)

You can learn more by clicking here.

Next, you can solve 100% of the problems you admit you have.

I remember dating this girl from Adelaide a long time ago when I first moved to Australia, she was great fun, we laughed a lot, and then…. something changed.

We stopped being lovers and became friends, it was a gradual process but I knew it was happening, I just kinda fell out of love with her, did you ever have that happen?

I was simply moving on in my life, BUT rather than admit that simple truth to myself I “stuck with it” and 18 months later was still with her!

By now I felt my skin crawl at the sight of her and finally I had to admit that all was not well, I’m pretty slow eh? (some would say thick :o)

Anyway it taught me a valuable lesson; you cannot solve a problem until you admit you actually have one.

Until then you’re doomed to let the pain grow until it becomes sufficient to actually do something.

Do yourself a favour, get honest with yourself.

It will make life a lot less problematic for you.

Do I need to mention goals?

Hopefully not, if you haven’t realized by now that setting goals significantly increases the likelihood of you getting what you actually want in life yet then there’s no hope for you.

All I’ll say is this, if you genuinely aspire to do great things with your life, you’re dumb if you don’t.

End of chat.

Here’s one that an old mentor taught me, he said “Neil, you’ll never see a bad CV, everyone looks good on paper”, at the time I laughed but in hindsight it’s gold, since then when I hire new people I always do my research.

Go for coffee, go for lunch, walk in the park, spend time together, you have to know these people for who they are NOT what their CV says, which goes back to what I was saying earlier about watching what people do not what they say they do.

Here's some quick bullet points that I have in my goals journal, they are good titbits I have been taught by my mentors;

- ✓ If you want to be rich you've got to own the stores/real estate/Intellectual Property etc
- ✓ Delegate everything so you can focus on growing the business, give responsibility, goals and a budget and then let people get on with it
- ✓ You can get a market advantage by being the biggest or the first that will make up for many other things
- ✓ When you're doing deals stay until the job is done
- ✓ Perception is reality, act as though you are and it will create the fact
- ✓ Business is showmanship entertain people and they will thank you for it
- ✓ To get rid of politics anytime you hear that someone is unhappy with someone else, then get them both together and sort it out
- ✓ Behave like you want others to behave
- ✓ Tell people the bad news as well as the good
- ✓ Get other people of influence to invest in the business to create credibility
- ✓ Customer service is everything
- ✓ Get the opinions of others but ultimately you make the decision

And finally here are my own personal BIG life lessons, learnt the hard way and usually very $expensive$ lessons:

My Big Life Lessons

- ✓ Trust people BUT Verify facts.
- ✓ Hope for the best BUT plan for the worst.
- ✓ It is not possible to over communicate.
- ✓ The grass is never greener.
- ✓ Be your word - If you say your going to do something be sure you do it.
- ✓ Opportunities multiply as they are acted upon BUT man who chases 2 rabbits catches none (focus on your goals don't get distracted).
- ✓ Stay within your circle of competence – don't start barbershops when you've never picked up a pair of scissors.
- ✓ If you steal from one place, it's taken from you in another.
- ✓ This too will pass.

- ✓ Everyone has a big invisible sign hanging from their neck saying “make me feel important” if you help people feel important they will give you the world.

- ✓ Speak the truth even though it may create tension and heart ache, it is better to honour yourself than live a lie.

- ✓ If you lie down with dogs you’ll catch fleas.

- ✓ Ask and you shall receive.

Ok as I said this chapter is full of stuff that didn’t fit logically in the other chapters or I remembered it whilst driving in the car and dictaphoned it to my P.A. to transcribe and couldn’t then fit it into a chapter.

How you enjoying the read?

Love it?

Hate it?

Apathetic?

Well the next chapter is for those people that love the idea of buying and selling businesses for a living and feel they’ve found their true calling in life!

Chapter 15

Shameless Promotion To Join Me At Aussiepreneur

Become a Business Broker!

My guess is you will be in one of three camps as you read this:

A. It's an interesting read and you're keen to apply some of the knowledge.

B. You'd like to do this part time and you can already see a few businesses on the high street that could be potential targets for my strategies.

C. You cannot wait to get started, you have now found your calling and want to start a new life doing what I do.

If you're in A or B then what I have to say next may not apply to you, feel free to read it and to make your own mind up however.

As you for C, well, simply put, wanna come work with me as a business broker?

Although I do teach this material to a select group of people it's not my real income, I teach because I love it and love to see people free themselves financially, it's a great buzz.

I run 2 courses a year and have very small class sizes so I can work very closely with my group as well as going out on business buying missions and actually buying businesses in the course!

Check it out here

No, my real work is in buying and selling businesses and the medium I do that through is my business brokerage company Aussiepreneur.

I not only buy businesses for myself, I also list businesses for sale and find buyers for them.

For doing this I get paid VERY well, an average transaction for me makes me $10K and I help a lot of people sell their businesses, I've created a very good system to do this.

So if you're interested to do this as your "job" full time then read on, you're gonna love this.

The Opportunity

Business brokers perform an extremely important function within our national economy through all of its ups and downs. There are over one million privately owned businesses at any one time in our country. At any given point in time approximately 100,000 business owners are considering selling their business. To add a little perspective, Bizexchange, the nation's largest business for sale classified/listing website, which is used by 90% of all business brokers to advertise their listings, only has a total listing database of 16,000 businesses for sale across the country. So where are the other 84,000 businesses?

They are out there waiting to be contacted by someone who can help them sell, someone like you perhaps…..

Business owners are just like everyone else: they get old, get sick, burn out, get divorced and sometimes just want to "cash out." This provides a continuing demand for good business brokers whose primary role is to bring together an owner who wants to sell a business with an entrepreneur who wants to buy a business.

Along with this large and continuing supply of businesses for sale, there's never a shortage of prospective buyers. In fact, many brokerage firms report that for every business they have listed, they have about 20 potential buyers!

My Company AussiePreneur, for example, has over 70,000 registered buyers looking to buy a business. That's 5 buyers for every one of the 16,000 businesses listed on the website. The reason there are so many buyers is because the easiest and least risky way to get into a profitable business is to buy a proven existing one.

Of course not all potential buyers are qualified and some are just "tire-kickers," but this is where the business broker's professional service begins to pay off for the company owner. Your role, as the broker is to screen out the unlikely lookers and focus in on the really motivated buyers who are ready, willing and able to purchase the right situation. It's an iron-clad axiom in the brokerage industry that a profitable business priced fairly, WILL sell! Period.

...we are about to experience the largest transfer of business ownership in the country's history.

To make this situation even more interesting, there is now an ongoing phenomenon in this country that probably won't ever be repeated. The baby-boomer generation is aging fast and many of these folks are business owners. The first of this huge pool of post-WW II babies have now passed the sixty year old mark and are now beginning to think of retirement.

Selling their business so they can move on to the next chapter of their lives has become their first priority. As they bring their companies to market, there will be an explosion in demand for business brokers because we are about to experience the largest transfer of business ownership in the country's history. This demand has just begun to build and will continue to grow over the next ten years as the greying of this generation starts in earnest. Now is the time to stake your claim in this lucrative field. Now is the time for you to take action to get your business brokerage career underway.

Here are some other very intriguing facts. According to the latest information in The Business Brokerage Press (www.bbpinc.com), the average sole practitioner business broker earned between $200K and $300K in annual commissions!

Do you earn this kind of money? Of the approximately 1,500 brokers in the country, 50% are sole practitioners and the number is growing. The fact is you don't need a large office with many associates to earn a very high income.

The field of business brokerage lends itself to small or home offices. Most, if not all, of the meetings with company owners usually occur in their offices and many meetings with potential buyers can be handled by telephone or e-mail until the prospective buyer is escorted to the business site.

During negotiations, many meetings are held at the place of the business for sale or the buyer's or seller's lawyer's and/or accountant's office. Also, many new brokers start out part-time, I did.

This allows you to control the amount of time you need to devote to your new profession by limiting the number of listings you accept and the potential buyers you deal with. For these and many other reasons, business brokerage is a rapidly growing home-based business and profession.

...the average sole practitioner business broker earns between
$200K and $300K in annual commissions!

But why do business owners really need the services of a broker? Although some owners attempt to sell their business themselves they soon find that the sale of a business is prohibitively difficult to accomplish without a broker acting as an intermediary for many of the following reasons:

- ✓ The seller often doesn't know how to properly value the business.
- ✓ The seller often doesn't know how to present the business in its best light from a buyer's perspective.
- ✓ The seller is usually unable to efficiently attract qualified buyers to the business and at the same time maintain confidentiality that the company is for sale from employees, customers, and competitors.
- ✓ The seller is frequently unable to judge a buyer's seriousness; much time can be wasted by sellers dealing with "lookers." Some potential buyers are victims of wishful thinking and they don't have the financial ability to complete the deal.
- ✓ The seller is unable to create a competitive atmosphere among buyers.

- ✓ The seller sometimes doesn’t know how to evaluate offers as to their full value or how to financially structure the sale to make the company as attractive as possible to a potential buyer.

If you have a sales background or just love the thought of buying and selling businesses, you are well organized, and like dealing with people and helping them resolve problems, then this high-income professional career is for you!

I can help you can get started almost immediately depending on your timetable.

So, welcome to the field of business brokerage!

This is a business that allows you to control your own time, is always different and exciting and places no limitations on your earning’s.

A recent survey taken by the Business Brokerage Press indicated that approximately 40 percent of all business brokerage firms are sole practitioners. Brokerage offices averaged 4.4 agents per office. The survey also revealed that the vast majority of office owners/managers are in production either listing, selling, or both. There are, of course, large offices with more than 10 agents where the owner/manager spends the majority of his or her time managing.

What all this means is that 40 percent of business brokers are content doing their own thing. They don’t want to be bothered with the rigors of recruiting, training, liability and dealing with all of the problems imposed by other brokers.

However, in this fast-paced business climate, sole practitioners are going to have to be very alert to the changes brought on by technology and by the expectations of buyers and sellers.

At AussiePreneur we provide support services for our team. With us you will essentially conduct your own business, but under the umbrella of the firm.

AussiePreneur will supply the infrastructure, the technological support, and of course the training, for you, and best of all in my opinion

You Get To Work From Your Home Office

You’ll spend your time getting listings, which we’ll provide very good leads to you for as well as selling our other products and services all designed to help business owners grow their businesses.

This way you can focus on what you’re good at and we’ll look after the tech stuff for you and you spend your time doing what you do best – doing deals and leaving the support systems to us to manage.

Interested? Here's some more info for you;

What is the average commission per sale?

The average commission rate as a percentage of the total selling price is 5-6 percent, and the average selling price is approximately $250K. Because we get you the lead and do all the back end office work for you etc we take a percentage of the sale which is currently 20% of the total, let me tell you that is LOW most other firms take a full 50% and expect you to pay for the lead as well!

Of course if you're like me you'll also be buying some of the businesses yourself which will make you A LOT of money too!

What are the licensing requirements?

There is one course that will take you two weeks to six months to complete (I did it in two weeks) that is similar to being qualified to sell real estate. You study from home and lodge all your work online, I'll talk you through that when I hear from you, you can however start selling immediately by simply using our license to sell the businesses. More on this when you get in touch with me.

Is this a franchise?

No, you are your own boss, BUT we work together, if you live close by you can come by the office if not we'll catch up on the phone and internet to do training etc.

Where will I be based?

AussiePreneur currently operates in Australia and the U.K. where our offices are, you can VERY easily work from home, work your own hours and make A LOT of money, from wherever you are. However if you live in another country other than the UK or Australia then let me know and I may have an opportunity for you to open AussiePreneur in your country.

What will I need?

A desire to learn and make a lot of money, a laptop, a car, clean driving license, the ability to work weekends & some evenings is essential, broadband connection, I'll provide In-depth initial training from our national award winning registered training organisation.

You'll get continuing professional development & ongoing mentoring & coaching throughout your career with me, the support of a qualified & experienced marketing & advertising team, a career path to take you through to management & partnership opportunities, VERY flexible working hours, and you'll need no sales experience – just a great attitude & a determination to succeed, if of course you have a background in sales that will help but only if you can actually sell!

So if you're; self motivated, enjoy working on your own, have great people skills, Great closing skills, and great personal presentation and enjoy being rewarded for your skills and results not for kissing ass and playing politics, Oh yeah did I mention you'll be working with a friendly team for a megalomaniac founder ;-)

If you're interested then e-mail me personally with the following:

1. Your resume
2. The training courses you've undertaken
3. Why you'd like to work in this industry

Email to neil@neilasher.com

I'll get in touch with some more details once I get your resume.

Good Luck!

Neil

Chapter 16

Further Reading

So here are the books I recommend you read for further insights into some of the material we've covered.

I personally believe that you are the sum total of what you know… in fact I know that everything I am is what I have learnt and this, and only this, is mine, for everything else I *believe* I own, can be taken from me.

I am A BIG LEARNER I read a lot. I have read close to 1000 books, my book case is heavy with volumes of great minds, if you want some specific advice about something to read relevant to a problem you're working on or a skill you're developing I can help but e-mail me personally OK.

All the books below are what I would call classics, they're not "life is great if you just stay positive" type books, they're real, true nitty gritty books based on peoples hard won experience. I pretty much hate those Pollyanna books as I always find they're written by poor people.

Here's what I recommend if you want to go further into this.

The Snowball: Warren Buffett and the Business of Life

Do I need to say anything here? Warren Buffett… Richest man on the planet… best investor in businesses…. HELLO! Get all his books, the wisdom and understanding you'll get will be priceless.

The Intelligent Investor: The Definitive Book on Value Investing. A Book of Practical Counsel

Ben Graham and his practical guide to investing, this is the NO 1 book that Warren Buffet recommends. I read it in 1 sitting, my god it's good. It feels like a book that every other wanna be share trading spruiker read then bastardized for their own use.

YOU MUST get this.

Security Analysis: Sixth Edition, Foreword by Warren Buffett.

Ben Graham again, this goes WAY deeper than the intelligent investor, if you really want to master this skill, then get this book, it's a brilliant book and gets much more into this subject. My opinion…. It's not for all of you, it's pretty big and you're gonna have to think rather than just put your brain on autopilot…it is however Brilliant.

The Essays of Warren Buffett: Lessons for Corporate America

This is Warren on investing, managing people, profits and returns. Did I mention he's good? Did I mention he's the wealthiest guy on the planet? Did I mention he's the best at doing exactly what I'm teaching you to do here in this book?

Warren Buffett and the Interpretation of Financial Statements: The Search for the Company with a Durable Competitive Advantage.

A deal breaker this one, if you are actually gonna buy a company and look at financial statements yourself, get this, if not you can probably do without it. You know how serious you are, you work it out.

The Warren Buffett Way.

The final buffet book, this one is great as it's the best one on how Warren actually picks stocks, his version of due diligence (scuttlebutt) does not involve hookers… still it works for him, might just work for you ;-)

The Little Book of Value Investing (Little Books. Big Profits)

Last investing book that's worth getting in my opinion, I like this for its simplicity; it's broken down all the BS and gives solid, timeless advice. It's a keeper.

Machiavelli the prince

The bible of office politics and how to get what you want in life. It's not pretty but neither is the truth sometimes. Read it and start winning.

Plato the republic

I read a lot of classics; I find that books that stand the test of time over 2600 years have wisdom in them that far exceeds the normal crap I see in the bookshops. For me 1 great book like this is worth 100 of those.

The republic is a treatise on how to live, for me anyway, but more so if you want social power this book is a gem

The Breakthrough Experience: A Revolutionary New Approach to Personal Transformation

John is the ONLY guy I go see if I need to sort something out in my life….. my wife leaves me, I go see john, someone tries to steal half a million dollars from me, I go see John, frankly the guy is a genius. If you have any interest at all in being all that you can be my advice is to study his works and do his courses.

In Australia my mate Greg Klopper looks after John at Global1 training and in the UK it's the top guys at Triumphant events.

John teaches all over the world so just Google him. The book by the way is great.

How To Make One Hell Of A Profit and Still Get In To Heaven

More John, this time on wealth creation mindset…. Freaky powerful stuff! Because of John my savings went up close to 5000% in one year!

The Irresistible Offer: How to Sell Your Product or Service in 3 Seconds or Less

Mark Joyner, total nut case but boy is he ever good! This book is his best, superbly written and great advice to up your sales.

Going for it – Victor Kiam.

Remember Remington micro shavers and those wacky ads with Victor Kiam, “I like them so much I bought the company” well this is his business book, and it’s brilliant. Gem after gem after gem of infectious enthusiastic advice from a dyed in the wool entrepreneur. One of my secret books that I love.

How to Get Rich: One of the World's Greatest Entrepreneurs Shares His Secrets

Wanna learn how to make $800 Million Dollars? Read this book, this is the very quirky and somewhat eccentric musings of Felix Dennis, Felix is one the UK’s richest guys and what he has to teach about making money comes from sweat and determination, I personally think this book is the best there is on this topic.

Call me Ted

This is the book I was reading whilst writing this book, Ted Turner who founded CNN has basically laid out his life in a brutally honest account of life at the top. It is a real eye opener. I thoroughly enjoyed it and so will you.

Innovation and Entrepreneurship

This is Peter Drucker, the only non entrepreneur in here. Druckers different though, he has some great books, this though is his best relevant to this subject, if you can afford it get them all then study them, if not then just get this for now and work your way up.

Recommended By John McGrath to me and I love it

Enterprise & Venture Capital: A Business Builder's and Investor's Handbook

I have John McGrath to thank for this one too, he recommended this book and so I got it and it is without a doubt the best book I’ve read on venture capital and setting your business up to sell it or float it on the stock market… more on this in my advanced courses.

Barbarians at the Gate: The Fall of RJR Nabisco

Not so much a business book more a cracking good read, if you’re like me then you don’t read much fiction books, I mean I’ve read Harry potter and the James Bond books but little else since school. Well this book is the true story of the biggest business buy out in history at the time, I had a blast reading it.

The Vulture Investors, Revised and Updated

Another cracking expose type read that is fun to read and gives an insight into the inner workings of BIG buyout businesses; there is much you can learn here.

Not a huge list but a good get you started list.

e-mail me any time for more ☺

neil@neilasher.com

OK next, cuz I loves ya, and cuz you've read this far (thank you) a gift, this is GOLD, essentially when you start applying this information let me know and I'll help you get it right ☺

If you're not applying the info don't apply.

FREE AussiePreneur Business Critique Certificate.

This certificate entitles you to one (1) FREE business critique done by myself or one of my team on a potential business you are going to buy. **VALUE $500.00**

What you will get:

- A full analysis of a business that you are considering buying
- A list of possible problems with the business
- Some hidden things to check
- Tips to negotiate a no money down deal
- Advice on what to do once you purchase it

What we'll need from you:

- Full details of the business, location, financials, lease document, anything else you have.
- Your contact details so we can talk
- Some background on how you found the business

What we can't do:

- Buy it for you
- Let you stalk us with 20 e-mails a day

Don't apply if:

- You are a stalker who intends to waste our time tire kicking
- You don't actually have a business in mind yet
- You just want to chat
- You are a pain in the ass

To claim your free $500.00 value business critique simply e-mail me at neil@neilasher.com and send me the necessary details then either myself or one of my team will contact you to set up a time to discuss the business with you and give you some ideas and things to avoid so you don't get ripped off.

So there you have it. The end or just the beginning.

To some... this book is nothing more than 50,183 words 279,665 characters ...1909 paragraphs' or 157 pages

To others this will be a life changing experience

IT ALL DEPENDS ON HOW YOU USE IT!

Don't discount for a second the teachings in this book as some of them are really simple. They have made many men and women Millionaires, Multi Millionaires and even Billionaires!

A student of mine from Newcastle has just finalized his 4th acquisition today as I write this…. His business empire has gone from ZERO to assets worth $7,000,000.00 that's seven million dollars in just less than 19 months….

HOW BIG AN EMPIRE ARE YOU GOING TO BUILD?

Good Luck.
Neil Asher
Wednesday the 15th of January 2009
9.42pm
Sydney, Australia
And
Brighton, England

If you've enjoyed this book please pass it on to other people as well.

And if you have any feedback for me you know my e-mail address ☺