

# How to Spot a Business That Will Stand the Test of Time

How can entrepreneurs make sure their American dream becomes a reality that will last?

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Owning a small business is the American dream -- and with many retiring baby boomers supplying the market with healthy businesses, the dream is alive and well. But how can entrepreneurs make sure their dream becomes a reality that will last?

According to [BizBuySell's 2018 Annual Insight Report](#), a strong economy and robust market are making the path to business ownership easier than ever for entrepreneurs. In fact, last year's market saw a four percent increase in business-for-sale activity. But with inventory rising, sifting through the choices can be tough. Plus, according to [BizBuySell's latest opinion poll](#), nearly 40 percent of business owners consider another economic recession to be the biggest external risk to their business. So for buyers looking to make a long-term investment, some businesses might prove more worthwhile than others.

## **The Durable Competitive Advantage**

The vast majority of small businesses are relatively young; only around [19 percent of small businesses](#) currently operating are more than 20 years old. So what determines long-term success from a short-lived dream?

One of the ultimate differentiating factors is a durable competitive advantage -- what [Warren Buffett](#) calls the "most important thing" to look for in a business. Businesses that possess a durable competitive advantage are those with longevity based specifically on their services or products. That is, unique offerings that are not only superior to those of the competition (and not easily replicated), but offerings that customers require indefinitely. The product or service shouldn't vary too much over time and requires little to no research for continued development. Growth patterns are generally methodical, consistent and scalable, rather than exponential.

## **Businesses That Stand the Test of Time**

Some industries naturally have a better durable competitive advantage than others. So when looking for a business that's around for the long term, keep an eye out for the following opportunities:

- **Health Care:** The health care sector comprises nearly **18 percent** of the GDP. But with an **aging** population and projections that one-quarter of the workforce will be older than 55 by 2023, the need for health services will only continue to increase. Because of these demographic changes, buyers should especially look for opportunities in elderly assistance and home-health aides.

Another benefit of health care businesses is the steady cash flow. People will always get sick, making health and wellness businesses self-selling. In addition, healthcare is often publicly subsidized, which protects the industry even during recessions.

- **Repetitive Service Businesses:** These companies provide a solution to a high-demand problem, and will almost always have a steady customer base. Depending on the nature of the industry, repetitive service businesses easily adapt to trends and changes within their sectors. Examples of repetitive service companies include auto repair shops, pest control, cleaning services, car washes and electronic repair shops.

If buyers choose a business that involves everyday products and services, the demand is steady -- and if the quality is high, customers will subscribe to using the same service repeatedly because they know they can count on it. Repetitive service businesses offer a broader category of investment that gives buyers more opportunity to find something that fits their unique skills, interests and experiences.

- **Franchises:** A proven structure and built-in support makes franchises a great choice for entrepreneurs in the market for stable investments. The trusted business model makes it easy to change hands and comes with established brand power and advertising strategies.

A corporation-backed model and guided support give franchises a leg up on longevity. Crises, profit dips and new innovations affect a greater ecosystem of franchise locations. To protect the brand, the corporate team works to ensure the continued success of the franchise locations, acting as an extra layer of support and security to the owner -- which doesn't exist for an independent business. Plus, you don't necessarily have to start a new location to buy a franchise, as established franchises frequently are for sale. In 2018, the number of transactions for established franchise locations grew **27 percent**, which means there is a large pool of opportunities.

With more and more retirees exiting and the pool of profitable businesses growing, now's the time to make your dream of business ownership a reality. Whether you decide to choose a franchise or an independent company, a business that stands the test of time will be a true investment for the long term.