Do you want to buy a business? This 58-minute conversation with Mr. Arthur Hamel, business buying expert, is essential listening. Arthur may be the best expert in how to buy an existing business successfully. I met him through an eBay ad. He was selling his business-buying training course on an online auction. He was selling his business—buying training courses. I inquired why he was selling his information. What I found out will amaze you. Arthur's seminars were taught nationally for 15 years, selling for $595. Tens of thousands of people have attended his seminars. His training program was the top-selling, number one business-buying seminar nationally. Be a fly on the wall as you listen to his amazing story. He is a very genuine man and really loves what he does. He wants you to succeed. I know you will enjoy this talk with a true master on how to buy an existing business.

START

Michael: Okay, we’re talking to Art Hamel. I’m always on the lookout for marketing courses and for new stuff for the people who visit my site. The course that you’re selling on eBay, how long ago was that done?

Art: We started on that in the early ‘70’s so it’s been 30-some years. The program itself that you have was copyrighted in 1984. When I talked to you the other day and gave you some information, I misled you because before 1984 every year that the tax laws changed we would redo the cassettes.

Michael: Oh really?

Art: So what we did just before 1984 was take out all the tax stuff because we couldn’t keep up with it. Since 1984, we’ve been using the same variation and all I can tell you is that all the years I’ve been doing this, since I spend most of my time buying businesses, the same things are on the program. Nothing has changed.

Michael: It’s all the same?

Art: It’s all the same.

Michael: How long have you been doing this, and generally what do you do? What do you do, how did you get into it and what is the program you’ve been marketing all these years?
Art: I started in business over forty years ago. In fact, I got in real estate. I had some friends who got involved in real estate, rebuilding buildings and restaurants. Someone was talking to me and asked if I was selling any of my businesses, and I said “Yes, I am” and I said “How do you sell a business” because I didn’t even know how to do that, and they said to find a business broker. I couldn’t find any business brokers, and they said to get a real estate license, then you’ll run into some. Well I didn’t run into any because at that time there were very few. It’s interesting because a couple of years later I ended up teaching a course that many of the business brokers today, merger and acquisition people, got started in. But it wasn’t my intention to teach. It was just that a lot of people were coming to me and asking me questions about businesses they wanted to get involved in and they said “Why don’t you teach a class?” And I said “Oh my God, that would scare me to death” because I had never given a speech or a talk.

Michael: How old were you when you started in business, when you got into your first business?

Art: The education part? I was over forty.

Michael: So before then what were you doing up until your 40’s?

Art: Buying businesses. I had worked for companies like IBM and that is how I got to California. They transferred me from New York. I lasted about an hour after that, then I quit. I went into the consulting business in the beginning, and then my fantasy, because I took over as the general manager for a place down in Santa Cruz, was to have my own place. This happened to be a resort-type thing and I ended up buying a Mickey Mouse little 25-unit motel in Modesto. So basically, I was one of those Mom and Pop persons out there with a torn tee shirt, cleaning the pool. Somebody came by selling franchises. I had broken my arm and I couldn’t do anything. About three years later, we had 25 companies. They were not start-ups. They were companies that we had purchased from someone else. The original person was a movie-type person that stopped by selling franchises. With that, we went into selling franchises with a company called Continental Marketing Institute. From that, the franchises we were selling were not doing a good job of promoting the product so we ended up buying the parent companies.

Michael: What was the franchise they were selling?

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Art: The main one we had was one called The Burger Barn where we had $1.49 burgers. Another one was barbecue franchise; I can’t remember the name of the place.

Michael: You owned that motel then you met somebody and got into the franchise business?

Art: We had twenty-five businesses two years later. The bad news was, to show you how inconsiderate I was, that my wife was running 25-unit motel, and we had it packed every night with truckers. Well, I had a plane out in Modesto. You can’t get in and out of Modesto without a plane. I ran into these friends of mine who said “We’re going to stop back in Modesto this weekend. Let’s have dinner.” So I said okay. They asked where to pick me up, and I gave them the motel address. They said “We’ve been in that motel!” They said “Where do you live?” and they said “You so and so, you have all of these businesses and you have your wife running this little Mickey Mouse motel?” Just to show you how stupid I was it never dawned on me, my poor wife was stuck there! In fact, she thinks back on that with fond memories because that’s the business she was most involved in.

Michael: That was for how many years?

Art: It was probably 3 or 4 years total.

Michael: I used to have a tie-dye tee-shirt retail store when I was in college. I had one of the rooms converted, I had a $500 shower put it and I lived in the store.

Art: When I was in college, I went to Penn State for engineering. I didn’t have a lot of money so I had to work full time. I had four businesses that I started there. The thing that’s interesting about that is that I was so tied in business it didn’t even dawn on me, Later, when I was giving talks on it, people that knew me from school would listen to me and hear me say that I got started at a certain time. They would always stay behind and ask me “Weren’t you in business when you were going to college?” And I’d say “no,” and they’d say, “Yes you were. What do you think you were doing?”

Michael: What were you doing in college?
Art: Everything from selling newspapers, I ran Sunday and daily newspaper stands which was a very big business. In fact, for the last two years I had to fight the football team because they wanted to give the football team my job. We also had a book-shipping business. I was also in the newspaper business there.

Michael: You were probably born with a very entrepreneurial spirit. What about as a kid when you were seven or eight or even a teenager?

Art: As a matter of fact, I never thought about it, I guess I was. I remember I had a movie projector that didn’t work very well, and what I had to do was run the western movies through it, this little dinky camera, and the kids would pay me a penny or something like that to look at them through a magnifying glass. I never talked to anybody about that! This should be embarrassing, but at my age who cares?

Michael: Right who cares? I remember as a kid in about the sixth grade, I was the guy who had the locker full of candy, bubble gum and Charm lollipops and cinnamon toothpicks. I can remember a crowd around my locker and I was selling stuff for 5 cents or 25 cents apiece. I was excited. I made the cinnamon toothpicks I’d buy box of toothpicks for nothing, go to the pharmacy, get a bottle of cinnamon oil, soak the toothpicks in the oil, wrap them in tin foil, and sell them!

Art: I always try to stress to people that it’s more difficult to start business than it is to buy an existing one.

Michael: Tell me why.

Art: the main reason is the money. What happens is you go out and start a business from scratch, and you really can’t borrow any money because nobody wants to lend it to you, except maybe Mom and Dad. If they want to lend it to you, the problem is you can’t pay it back because you have no profit. If you go out, buy an existing business, and buy it for a normal market price you can finance just about the whole thing. Again, I don’t want to give people ideas that we’re talking about one hundred percent financing. When we were teaching nationally, all the real estate programs were talking about nothing down in real estate. Well in business, you don’t have “nothing down.” There’s a difference between one hundred percent financing, or close to it, and “nothing down.” I don’t think I ever
remember meeting a seller with a normal good business who would let you in with nothing down.

Michael: Right, they’re going to want something.

Art: Well it’s not that they want something. If you have enough cash flow, you can finance the whole thing. That’s really what I’m saying. So the seller in almost every case leaves with nearly all the cash.

Michael: Let me ask you this. If I want to buy a business, and it’s always been interesting to me, I go on eBay and look for people selling their businesses. I saw a guy who was selling some aluminum molds to a little plastic mold piece that he was selling. He was displaying little “Hot Wheel” cars and it was a nice little unit. I called him and he paid around $5,000 for his molds. He bought some ads and I don’t think he made them work very well so he was dropping the project and he had these molds and he probably had put a lot of effort and time into them. I was watching the business to see what they were going to go for. He wanted a couple grand for it; I wouldn’t be interested in anything less than $500 but I think someone else bid on it. But if I wanted to look for businesses that are being sold, besides going to the newspaper because there’s so much BS there, where else would I look?

Art: Years ago we used to go to the newspaper and there was usually one newspaper, the LA Times or the San Diego paper that had a few in it. We’d look in the Wall Street Journal on Thursday. But what’s happened in the last 10 or 15 years is the Internet. If you go on the Internet, you’re going to find more businesses than you could ever want to buy. What you have to do is know how to approach them. What we try to do is to educate people to the point where they buy something good. In other words, take your time. Buy a business that’s making money. Don’t be conned by what the brokers are going to tell you because the brokers are going to lie to you. The sellers are going to lie to you. What we basically teach is there’s nothing magic. We take this mystery called a business purchase and we blow the smoke away, blow all the garbage away. You look at it and you’ll be able to see what you’re getting, and you buy it. In fact, we taught it for 15 years. We sold those cassettes. Two of us put together a one-hour program in a studio in Los Angeles. The other person was not in business; he was a well-known talk show host. We sat down the day before and talked for two hours. He knew nothing about business. We sat down in the

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with us because people would say to them “Well Hamel will help you for nothing.” People would come to me and say “Does this stuff really work?” Well it must work or we’d be out of business! And people would ask “Does everything work?” I’d tell them that occasionally something doesn’t work but it won’t be in the program the next time. We haven’t had anything since 1984 that we’ve had to change. We worked out all the bugs, and all the great creative thoughts I had, we’d go teach this. But if nobody could make it work, and if we’d get so many calls to the office on that idea, that idea would come out of the next course. We removed the taxes but we also removed the ones that were either too complicated or people couldn’t make them work.

Michael: So you kept it simple. Tell me, if someone goes through this course in a couple of minutes, what are they going to learn if they are absolutely clueless but have some idea about business and maybe have thought that they want to buy a business. Is it a good idea for them to buy a business? What are they going to learn from your tapes?

Art: First of all, people used to come back and tell us all the time it’s like a brainwashing thing because some guys would go out and try to do something but the wife wouldn’t buy it or the grandmother wouldn’t buy it. Then they would have them listen to the tapes over and over and over again. A lot of people would put them under their pillow at night. What happens is there are a lot of things we teach in there on financing, on buying businesses that people have a tendency not to believe because here’s what happens in the business world. When you go out, or your mother goes out to get an education in business, it’s always from somebody in business that has failed or is failing. A person who does well in business isn’t out there talking to the public. A person that does well in business doesn’t complain to his friends. I’m not going to go to you and say that last month was bad. I only made $100,000. So what happens is you hear the people who are whining or complaining so by the time you hit a certain age, in your 20’s, ninety-nine point percent of the stuff you know about business is absolutely a lie. If I tell you that if people take the cassettes and take the information they don’t believe and pick a few business owners that they know are successful and ask them who is right, the people who have been whining to them or me and you’ll find that I’m always right. Why? Because I’ve been doing this for so long. I’ve owned over 200 damn businesses and the last few years most of the businesses we’ve purchased are between $5M and $10M. If you
go around and talk to business brokers in San Diego or Los Angeles or any place else in the country you're going to find that's the level of business we buy. They net between $1M and $2M if the price is $5M to $10M. In fact, two years ago we just finished in Mexico. We had 17 companies there, and I don't even speak Spanish. I also am not very brilliant at running companies. We needed the management in there and if you do that and pay them well guess who doesn't call you? In fact if you buy a business that makes over $250,000 our general rule is the managers will be paid enough that he or she will be irritated if you ask them to call. Why have them bother you? The money they are going to be paid in a business that size, they have the ability to run that company and you can be an absentee owner because otherwise, you don't want to be hands on, if you don't want somebody else to run the company without your supervision you're never going to own more than one company. And let me tell you something; owning a business and being hands on and having the secretary come to you in the morning and say “I can’t come in this morning. My kids are sick,” who the hell wants to hear that?

Michael: I think that’s one negative that people think about. Do I want to buy a business? They don’t want to be caught up in it and be a slave to it. So you’re saying you can teach people how to buy a business and be an absentee owner and structure the management where they aren’t bothering you and you are basically absent?

Art: A large percentage of people who went through our program not only bought a business but also had multiple businesses. We had companies come back and analyze that. What happens is you own multiple businesses but the key thing is when we first started years ago we were buying businesses making $10,000 a year or whatever. We started at $50,000 and people thought we were nuts. Two years later, we moved it up to $100,000. As we were finishing up a number of years ago, we were up to around $200,000. Today we’re telling people minimum $250,000 net.

Michael: You mean don’t buy a business unless you’re making $250,000 net?

Art: That’s $250,000 after you pay a manager. In other words if you are an absentee owner you should be making $250,000.

Michael: Net after taxes?
Art: That’s right. You think this is a great large business. It isn’t, it’s a small piece of junk, and it’s not worth owning. Let someone else own it. What happens is we encourage people to go out and start a business, build it up to a certain level. I want to take it from the point where it’s making money up to the next level. It’s not very difficult because I have enough money to spend on the business. I also have enough money to cover my mistakes. So if I make a mistake next year, I’m not going to be in the red. That’s the basic thing, take your time and this really does work. This isn’t one of those pie in the sky things. I’m a good example of how it works and if you go out and talk to people who are in business I think your friends are going to be surprised at the number of people that got involved in business because of our program.

Michael: What else are you going to teach them as far as telling them where to find a business? Where else are you going to tell them to look?

Art: Most of the ones we have in there today were from the sources we have in the course.

Michael: In the course?

Art: Yes. I think we have 20 of them in there. But at the time we put this together we were not big in the area of the Internet. Just taking one as an example and I’ll give him a freebie, is Bizbuysell.com. That’s a great place to start. Once you do that, you’re going to find there are all sorts of other ones, but just that will keep you busy for the rest of your life. You can’t find more businesses than that. And the people that advertise there I find are relatively easy to work with, the brokers and the sellers.

Michael: How many business brokers are there in the United States?

Art: I don’t know. I think there are probably three or four thousand, maybe even five or six thousand.

Michael: Are they all listing their business up on that Bizbuysell.com?

Art: Some of them are just doing it on the local level. They have organized groups. In fact, the first group, all the business brokerage groups you have today nationally came from a company called Certified Business Counselors that was formed about 25 or 30 years ago, and I’m the founder. I was the first president. Most of these groups have come from that group. In fact, they all have.
The people heading those up are all people who were in that group in the beginning when I was running it. What happens is they have their own multiple listings, like real estate brokers do. Right now in California as an example, a lot of these are trying to convert their local listing services that they are using for their brokers into Bizbuysell.com. So my prediction is if Bizbuysell.com does a good job, they have a good program for bringing in brokers also. Again what we have today we have more businesses out there listed by brokers, which means you have to get through them because they’re going to try to qualify you and make sure you have enough money or the wherewithal. In the old days, we had fewer sources of business but we had fewer brokers. We had more sellers out there. So what you have to do is tell yourself “Look there are more brokers out there and they’re going to make it more difficult for me to do it generally.” Once you find a good broker, you’re not going to have that problem. But the good thing is you have 100 times more businesses available. It’s not that they weren’t there before; you just didn’t have ready access to them. It’s really easy today. We also have financing; we have all sorts of financing, all sorts of investors who want to get involved with you. The key thing is to get off your duff, spend the time, find the business and do your homework.

Michael: Do you recommend buying through brokers or trying to go around the brokers?

Art: If you can find a broker to work with, that’s fine. But the problem you have with brokers is they qualify you. There are a lot of brokers that are deal killers. The problem is, to be very honest, you are going to have to grit your teeth and keep going through the brokers until you find one that you get along with. As soon as you do that, they will feed you business. I have very few brokers that I’ve worked with over the years because I find it easier to go back to the same ones. Also, once you get on their list they’re going to contact you. One of my best friends is probably one of the best brokers in the United States. He’s in San Diego. He just sent me another one because he knows that I’m in the business of buying companies. We used to have a rule; I think this one is $900,000 that each one he sent me had to be a million dollars. And he sent me an email, I haven’t had a chance to read it yet, but I’m sure he’s going to tell me that they’re projecting a million.
Michael: Tell me what are all of the reasons you found over the years why someone sells a business? Do you find that people are selling the business because they are losing money?

Art: There probably are people selling businesses because they are losing money but they are the ones you want to avoid. You can make more money in a good business than you can in a failing business.

Michael: Of course.

Art: All these stories they talk about, doing turnaround and all that crap. If you take the same amount of money, it’s going to cost you less money to buy a good business than the ones that are going to give you a headache. Let the other people buy them. I always tell people if you run into somebody that has a bad business and they’re losing money, give them a big hug and tell them as soon as you run out of all the good ones you buy, they ones that are making a profit, you’ll come back. You want a profit for at least three years. Try to go out and finance it and bring an investor in and if you haven’t had three years of growth and three years of profit it’s going to be tough to do it because they don’t trust you.

Michael: Reminisce for us. What are some of the most exciting businesses that you have bought over your career, some of the most profitable, if you want to share. Anything that just pops into your mind.

Art: I have no secrets. It’s interesting, if you took all of the businesses that I have owned and you were to tell me that any one of them was exciting I would laugh. What normally happens is when somebody comes up and asks me what I have been buying lately and I tell them, they usually give me this “Oh that’s nice” sort of like patting me on the head. I remember we were in the import business a few years ago and I’ve run into people at trade shows and they say “What are you importing now?” I’ll say, “I’m in the house wares and gift wares business.” I stand corrected; I tell them first that I’m in the glass business. The say “Glass, you mean you sell glass that they use in the big high rises?” And I say “No drinking glasses and canning jars.” And every time I tell them, they turn on their heel as they’re saying “God, that’s nice.”

Michael: Like how boring?

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Art: Right. But most of them lately have been manufacturing companies. To give you an idea, let's take Mexico. We started with wood furniture, oak furniture plants in Tecate. We got involved in the ceramics business making dinnerware in Guadalajara. One of the big products that we hit it with were the red clay cooking pots that sell in all the big department stores. They used to be manufactured in Germany and Portugal. I spent two years going to Germany and two years working in Mexico to convince the company I was working with in Mexico to buy equipment and red clay, which we didn’t have in Mexico, and convincing the Germans that the Mexicans could produce their product. For a number of years now we've had that product. We now produce out of that plant for the whole world. We then got involved in the electronics business. I was involved in printed circuit boards many years back when I was with IBM. So I had been involved in making printed circuit boards and doing SMT which is mounting components on boards and electronic assembly. All three of these areas we had been involved in twice before in the United States. We got involved in them in Mexico. We were involved in the mattress business, Mail Boxes, Etc.

Michael: What were you doing with Mail Boxes, Etc.?

Art: Helping with financing, $500,000 to get the moving ahead. Mail Boxes, Etc. has its own warehouse in San Diego as a matter of fact. Everything is shipped into San Diego and they transport it into Mexico so you don’t have to go through the Mexican transportation system. Again I haven’t seen them in a few years but the last time I saw them they were about to take over the post office system in Mexico.

Michael: Mail Boxes, Etc.?

Art: Yes.

Michael: Wow!

Art: And the last one we worked on, I don’t want to give out the name of the company, the company is in Mexico City, we had sixty-some percent of the telephone equipment business in Mexico.

Michael: It sounds like you’re partial to the businesses in Mexico.
Art: No, no. I was trying to buy a company, a furniture company, in Los Angeles and while I was negotiating with them, they asked me to help them finance what they had in Tecate, Mexico. Once I did that the word got out in Mexico there was this crazy American who could finance projects in Mexico. From that I got called to Guadalajara and after that every company I was involved with down there was from the original people, they were either friends of relatives of the original people.

Michael: Just all referrals?

Art: Everything has been a referral. I never got shafted. I never had a person in Mexico ever lie to me. They are the greatest people in the world.

Michael: They are great people.

Art: And I don’t even speak Spanish.

Michael: So you’re not teaching any more?

Art: No, oh no.

Michael: How long ago did you stop teaching the seminars?

Art: I have an old brochure, that’s the only way I can remember, probably about 14 or 15 years.

Michael: So you’re just buying and selling?

Art: I don’t really sell. We do it in streaks. Some years I’ll get tired or bored because I keep doing the same thing. The problem I have is that I never had a hobby as a kid. So as I started getting involved in life, I thought “Why this is fun…business is a lot of fun.” But I had nothing else to go back to. If you ever do get together with me or are around me very much you’ll find that when we’re talking about business, I’m very excited. Every deal I work on is exciting. I look forward to meeting new sellers, people who are selling companies, or brokers. And then going through it, it’s very exciting, the negotiating part, it’s exciting the first two months as you take control. But after that, they’re all the same. I hate to say that.

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Michael: Well business is all the same. Once a business is running you’re dealing with people, you’re dealing with problems. You’re buying and selling.

Art: If you decide to go into business, I’ll be glad to help you.

Michael: Okay. I really appreciate that.

Art: Not as a broker. Let me tell you something. I have people that come back from the program or a seminar every day. I get calls, I get letters, and I get faxes and emails saying that I am helping.

Michael: I do the same thing. People call me with my website, Hard to Find Seminars. People have a question, they’re developing a product, they need a headline or what should he put on the product, the retail countertop display, to make a sale. They’ll send me an idea and I’ll send them an idea back. Anyone can call me from my website and pick my brain. Usually all I ask them is if I can record the conversation and I stick it back up on my site for all of my other visitors to the site to benefit from for free.

Art: Well I enjoy helping people. Even when we were in the seminar business they would say “You’ve given us hundreds of thousands of hours of help after the class which wasn’t really covered by what I paid going through. What can we do to repay you?” And I’d say “Look the golden rule really works. What you should do is once you succeed is go out and spend the same amount of time helping somebody else.” It really does come back. For most of my life, I did not understand the golden rule until I started helping people. Then all of a sudden, I found it did work. And I’m not a religious person; that is not where I’m coming from. You can go out, get involved in business, not rip anybody off, not have to lie to anybody and make a very good living.

Michael: Right, and have a fulfilling life and feel good about it. That’s the bottom line.

Art: There’s nothing more exciting than owning a business.

Michael: Let me ask you this. I’m a student of marketing so what I’m looking for when I look for a business is of course a good history and a nice large list of customers. And a business that has advertising and is succeeding with it or maybe does their advertising. From my
marketing education, I may be able to improve on the message in their advertising and to double their business from that.

Art: Keep in mind, take manufacturing as an example, there are two types. One you are working as a subcontractor. The other one you don’t have your own proprietary product. I’d make you a bet if you went out and looked at a business that was real, in other words, you had your own product that was your company and you were going to market it, the thing that you would find is you have the ability to take that product through the roof. You also have control over it, you don’t have to go to another company and sell it. There’s nothing wrong with your type company. If you go on Bizbuysell.com right now after we hang up and start to look these up, what I suggest is go after all companies that are priced over $1M so you don’t get into the smaller ones. And although you’re interested in advertising or marketing related companies, just for the heck of it go through and pull down all the ones that really appeal to you even though they’re not in your area. I’ve found over the years that if I can get people away from what they think they want to own and get them thinking about the net profit, they end up buying something else and something they are going to be happy with. Everything is marketing, and there are poor marketing companies. The good news is that with your marketing expertise the amount of money you are going to make for every dollar invested will be a hell of a lot more than it will be in manufacturing. It’s sort of obscene. Down in your area in San Diego or Los Angeles there are a lot of those companies available. And again, they come up for sale because somebody wants to retire; somebody has been in the business for 15 years. And even if somebody tells you that they’re going to retire, most people in business don’t retire. Life’s just too boring. You go out, you make your money, and you have money in the bank. You can play golf, which lasts for about one day and then you want to own another company. I can truthfully say that I don’t know, I don’t have any friends that I’ve known in business for more than a couple of years that have retired. All of them have been in business many, many years like I have. I have no desire to retire; I want to keep doing this. Besides, I’ve tried to go to some of these groups where there are a lot of older people. These are people that I’ve found, are business owners. When I was growing up in industry or even after I was out of industry, you never heard the “R” word, retirement. If I did hear it I kept thinking the only people I did hear talking about retirement were people who worked for someone else. I still don’t understand that. Obviously working for someone else isn’t very
gratifying. When you’re in business for yourself that’s all you want to do.

Michael: Absolutely. So you considered “Well let me retire” and you just go crazy; you miss it.

Art: After we sold the businesses in Mexico a couple of years ago, I retired for the fifth time!

Michael: How long did that last?

Art: About an hour! It never works. Just like when I quit teaching seminars. I said I would retire because people would come up to me all the time and say “Hey Art, how’s it going?” And I’d say “Fine” and they’d say “How’s the seminar business going?” Because that was the thing they saw. Nobody ever had a discussion with me on what else I was doing. They would always pat me on the head and say, “That’s great.” Finally, when I quit teaching seminars and said I wasn’t going to be teaching any more everybody said “He’s retired.” I said “I’m not retired; I’m buying companies.” They would say “When did you start doing that?” And I’d say “Oh about 45 years ago.” When you’re in the seminar business, everyone thinks that’s all you do.

Michael: Wow, and they don’t take the time to ask. If they thought about it, they would probably realize that you’re doing what you were teaching; you’re buying businesses.

Art: Well it’s something that you may assume but there are a lot of people out there who teach things and they don’t really practice what they preach as you know.

Michael: Are there a lot of other people teaching how to buy businesses and such out there? What do you know about the competition?

Art: We have a lot of people come into the program and they try it. We actually had a person from Los Angeles that copied our course completely. He brought in a tape recorder, which you’re not supposed to do, and he came out with a course competing with us. In fact, he even took the ads that we had in the paper and just put his picture on them. And we had to go to court against him.

Michael: You went after him?
Art: Of course! You’ve got to be kidding! We used to refer to him as Darth Vader.

Michael: Darth Vader?

Art: It was very similar to his real name. We had a lot of universities like USC, every university in the areas that we were in, tried to go into this business and compete with us, and they didn’t succeed. They would quit after a short while. We had the Geneva Group, you know the people down here from Orange County? They put on programs basically for sellers, and then they decided to try to get me to take the lists they had and get my students to buy them. I wouldn’t do it, because what happens is we had made an analysis of 50 of their businesses that they gave us and we found they were overpriced between two and three hundred percent. We didn’t want their people wasting our time. They got really upset with me and decided they were going to compete with me, and they put the word out they were going to put me out of business. Well about six months later, they quit and went back to what they were doing. Again, the key thing, we had a program that worked. I was very funny, I’m no comedian, but I keep it light. We usually keep the room cold. They know that if they doze off they’re going to freeze to death. And we give them follow up help. How can you beat that? You say to them “Look somebody was going to the university and they were studying physics and the professor said if you are not doing well in your career you come back to me any time you want to for anything.” You’ve got to be kidding! Nobody ever does that. Well we did it because people would come up and they would have that look on their face; they don’t know how to price the business. So when you look at our cassettes you’re going to see that we have the first pricing program ever set up mathematically for pricing businesses. In fact, all the pricing systems around the United States today are copies of ours. And I still have copyrighted protection but who cares any more? I don’t really care but there are a lot of people who use it. At the time, we had gotten the SBA and the IRS to use it. In fact when I was teaching we were an IRS-approved program. We had two or three IRS agents in our class because it was continuing education from our program. In fact the last six or seven years we were an IBM-approved program. IBM people wanted to go to our program, the husband and wife were both paid. This was before IBM had all the lay-offs. I asked IBM “Can I put that on my advertising”? They said, “You use it and lose it.” I got the message.
Tell me what’s actually in the course. How many cassettes are there?

Twelve.

And is there some workbook material?

Yes, there’s a complete workbook and what we did, we tried in the beginning to tape the class. It didn’t work. What I had to do was go to the studio and I would talk to the walls. The people in the studio were hysterical because they never saw anybody so animated talking to himself! This tells you where I’m coming from! So they put it together, which gave us the quality we wanted. We also wanted it with such a sense that if you listened to it, it would motivate you. If you listened to it enough times, take financing if you don’t think you can get financing from the suppliers, things like that. What we would tell people to do is listen to the cassettes over and over again and eventually you will believe it. Then you go out and try it. That’s the key to it and what will happen is that you will succeed because I’ve had a chance over the years, we have all these people calling us all the time, we did for years so we know exactly how it works. We always ask them “How does the cassette program work? Does it really work? How long did it take you?” And what it does it gives them courage. We used to sell the cassettes for $345. In the seminar, I think we had a discount of $295 because they already had paid a lot for the seminar. We would tell them the cassettes cost you “x” number of dollars but if you hire a business broker, it’s going to cost you $50,000. So you save $49,000, I forget what it was – it was an exaggeration. But what we were trying to tell them is you can do it on your own. You don’t need any help. You can come back to us but the key thing is to keep moving forward, to understand this thing really does work. You will have a business, don’t get discouraged. And the other thing is take the time because how long is it going to take you to do it? It’s going to depend on how much time you put in; how smart do you have to be? How much time are you going to put in? We have a lot of people who went through our program, I’m not going to mention names, who don’t even have room temperature IQ’s. They aren’t the brightest people in the world. The majority of people didn’t have enough money to put a deal together. They would say “How do you put this transaction together?” And I’d say “Okay how much money does it take to go out and start one?” They’re going to be able to buy an existing business for less money than you can by starting the damn thing. So how are you going to lose? So I
said “Well that doesn’t really work.” And they always come back and say “My God, I can’t believe this!” The reason is that we’re telling the truth about what’s happening in business. All these other losers that they were talking to that were in business are about to go under. They’re nice people but the problem is they’ve done it wrong. In fact, even today I give talks around the country to different marketing groups. I’m always trying to tell them the stories to give them all the examples and you see them nod their heads and say, “Isn’t this true and isn’t this true?” And I give them tips. I say “Okay everything I just told you is a lie. Not one of these things is true about business.” So what I tell them to do is “Look when you’re going to go out, say I convince you that you should look for an existing business. Take a sheet of paper and list all of the reasons why you can’t buy one. Take the sheet of paper and put it in a safe deposit box or in a drawer. Write down all of the things that are going to go wrong, everything. Put it on a sheet of paper. As soon as you get done, put it in a drawer. When you get your business, the first thing you do is take the thing out of the drawer. And you’ll find that all the 40 or 50 things you put down, none of them came true.

Michael: They are all just fear.

Art: Fear perpetrated by losers; there are all these people out there. And I’ve been passing this message on for yours. I said “You know we have all these tens of thousands of people going to the class. If I keep telling them that this stuff is true and it isn’t true, don’t you think they’re going to come back to and say ‘You’re full of crap’”? But they haven’t and the reason they haven’t is because it works and it is true. I have no reason to lie. I’m trying to get them to go out and apply what they’ve learned. The reason they haven’t succeeded is because they’ve listened to the wrong people.

Michael: Let me ask you this. You have the audio tapes; over your course in teaching did you ever put any video tapes together? What other teaching material have you put together besides this course that you still have – videos, manuals, and booklets – anything else?

Art: We had other people teaching other classes that used to have materials but over the years, I’ve given it back to them.

Michael: Are some of these people not teaching any more?

Art: I don’t have any idea.
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Michael: Do you still have the masters to these tapes?

Art: Yes, I think I do.

Michael: Out of the twelve tapes within this course, you say you took out some of the irrelevant tax stuff, out of these twelve tapes...

Art: All of the tax stuff.

Michael: All of the tax stuff is gone. So within these twelve tapes everything is still relevant today?

Art: Everything is still relevant. Keep in mind I still talk to people all the time; I still ask them if it’s working. When I’m on eBay looking at stuff, I know people are thinking “Is this true?” So I ask people all the time. Other times people would write to me and ask me if it works because they’re about to lose their jobs and what I basically tell them is that I’ve been buying businesses for more than forty years. I still use the same techniques I used forty years ago. This program shows you how to blow the smoke away like I was just talking about. That’s why they came up, we offered them free help. Okay, it will take six months on the average to find, analyze, and close a deal. And what I would say to them, my last sentence was always “Please do not quit your job prematurely. Delay the move, or make the move later. If you rush into it you’ll end up buying a business that doesn’t work.” My nightmare when I was teaching I would wake up during the night and some person had called me and said “I took the class and I know this is going to work; I just quit my job.” I’d say “Oh my God, don’t do that!” If it really has happened nobody ever told me about it, but it really scared me!

Michael: I can definitely tell by talking to you that you’re passionate about it, and it sounds like an incredible course. I’m going to get one right away. Let me ask you this. Would you be willing to do this later for my listeners, and I think it would be kind of fun, maybe what we could do is have everything recorded like we’re doing right now. Are you pretty Internet savvy?

Art: I hope so!

Michael: Well obviously, you know how to put an ad on eBay. Maybe what we could do together is go to Bizbuysell.com and look at some businesses together and you can point out some good businesses...

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that may look like good ones to buy. And maybe we could essentially go through the whole process of buying a business and what to look for. You could talk me through it.

Art: You want to own it?

Michael: Right.

Art: I would be glad to do that.

Michael: I think that would be fun.

Art: The last couple of deals I’ve worked out, I’ve even brought investors in and I keep fifty-one percent. I usually stay two or three months and then take myself out the backside. Unless they’re nervous about it; if they are then I’ll stay longer. In Mexico, I had to stay all the time because they didn’t want to have to go to court and sue someone! They always had the investor and me. Any ideas you have that I can help you with, anything, I’ll be glad to.

Michael: That would be great. Well look, I’m going to formally end this recording and then I’m going to call you right back so we’ll be off the recording. To all my listeners, I hope this has been helpful to you and I’ll have some information on how you can get this course and I want to thank you for taking the time and sharing this with everybody.

Art: It’s been enjoyable. I always try to get another person, for instance if I’m sitting on a plane and there is someone sitting next to me I don’t ever talk to them; I just sit there. If someone begins a conversation with me on a plane, if we have a two-hour flight, even if they are a key executive in a top company, I guarantee you every time I’ll have them panting hard thinking about owning a business!

Michael: Let me tell you, I’ve read somewhere that the number one dream of Americans, of all people, is to own their own home and number two is to own their own business.

Art: I’d think everyone would want to own their own business. I wouldn’t want to have a job working for someone else making "x" number of dollars when I could run the thing and make a hell of a lot more and have less stress!
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Michael:  What people need is someone like you. They need direction, someone to show them how, someone to hold their hand and encourage them and give them the confidence and tell them they can do it if they just give it a try.

Michael: Let’s end this call and I’ll give you a call back a little later and we’ll talk some more. I really appreciate it.

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Recently, I got an email from a very sharp investor in Australia who had some really good questions about the Art Hamel system. I called Art to get the answers and - what was meant to be just a short, ten minute "chat" - turned out to be the best interview Art's given to date! He went into a lot of detail about how you can get investor financing anywhere in the world (literally), why most people are shocked when they realize how easy it is to buy a large business, and even how you can get his personal help to buy a business of your own (Yes, Art will help you through the entire process, if you qualify). And guess what? I recorded this particular call and it is waiting for you below.

START

Michael: Here’s a question from a guy who’s located in Perth, Western Australia. The audio interviews, Art, are very inspiring and quite reassuring in the decision I’m going. I’ve been involved in real estate for over five years now, and the opinion has dropped about 18 months ago that buying a business is the way to go. I’ve been looking at business seriously now for over twelve months, placing letters of intent and making offers. The problem I’ve had is the finance issue. Banks want too much security and vendors are not very obligated to give vendor terms on a good business. So, by the time you’ve done all your due diligence and the business plan to put into the financers, you still end up pulling your hair out and coming up short. I like your idea about investors. I’ve been trying to get investors in Australia, but the investors are just too closed-minded or if you find them, they want too much of the pie to make the deal worth-while. I agree with your analogy with the larger businesses. Once you target a larger business with a good net return, there are less players in the market. I normally target companies with 30-40 percent net ROI, fully managed, and there seems to be plenty of targets on the horizon. I just need the capital and a little bit of guidance once in a while. I have a few questions for you. You mentioned you could organize the investors. One, would your investors invest in an Australian business or company?

Art: The answer always is I was involved in 17 companies over 15 years in Mexico. Every one of those were put together with investor money from the United States. The minimum amount was over a million dollars, and the last of them that we did down there was a telephone equipment company where we brought in 17 million. Here’s what I have going that nobody else has going. I have a track record of 50 years in business successfully, most of being in the seminar business I’m also well known, when you bring the two of them to the table, it makes it easier for me to go...
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Art: They need ten million dollars, and I want my fee. The amount I’m bringing in is the ten million dollars plus my fee. Now, here’s what happens. Let’s say they give me 48 percent of the company. Well, the amount they’re paying me, they’re probably going to be giving up 49-49.5 percent. Don’t count on the percentage. All I’m saying is all of they’re really giving up is more stock because I’m going out and working it so they’re giving up so much stock for the money they need, and then basically I’m bringing in another investor basically, or have an investor that’s going to be paying me my fee. They don’t pay any of that. Also, we bring in enough money for working capital. If they have attorney fees or CPA fees or bank fees, whatever else, that’ll be included in the total. In other words, it’s a package deal, and it includes all the money required to do this business, and we don’t care how much it is because the more they ask for, they’re going to give up more ownership. That’s all. If they don’t mind giving up more ownership, they’re fine.

Now, as far as 50 percent control, the thing most people have to realize is most investors are not looking for voting stock. They’re look for a preferred position. So, if you’re going to go public or something some day, they want to have that conversion clause in there to converge the common stocks so they can go public with you, but I would have most of them on a preferred type stock which means they don’t have voting stocks, which means you can bring investors in as much as you want within the limits of the cash flow you have.

It’s the most simple thing that you’ve ever done, and although all of them say they want to work with me for years doing this, once they get it done and they’re looking back and saying, “Geez, is this all there is to this?” We have been doing this successfully. Again, it has nothing to do with how good I am. It has to do with they negotiate a good, fair contract, and buy at a fair price or market price, and they put together a good business plan. The rest of it just falls in.

Michael: What sort of terms do your investors work with – a rough idea if possible?

Art: They’re not terms. What you’re looking at is you’re looking at equity participations. So, somebody comes in and puts up a million bucks, they expect to get a certain amount of stock. Now, the stock is basically worked backwards, and if basically we’re giving them more return than they’re getting out. If somebody had real estate, and they were earning ten percent on a million dollars, we can get buy with usually 12 percent. If somebody’s earning three to four percent on a CD, we can probably get by again with 20 percent above that. So, the amount that we end up negotiating or he would end up negotiating, is a figure that is above what
they’re getting right now because we’re giving them three things for the investor. We’re giving them more return than they get now. We’re going to give them more growth. And, the businesses we work on have comparable risk. So, there’s no more risk. So, they have the three things everybody’s looking for in an investment.

We also have 20-some years with investors of nobody screwing up. I have 50-some, let’s say 50. I have to quit saying over 50. I’m making myself even older. These are all things that they worry about, and the biggest problem we run into, you can tell every damn one of them – find a business, getting by the financing, all this is crap. It’s nothing. The biggest problem is they have to sit down or get somebody to put together a business plan describing the company and the whole thing. I can’t go to an investor verbally and tell the something, or if we have to work with a bank for a credit line, we can’t do it verbally. You have to have a business plan.

Michael: All right, that brings me perfectly into the next question. What do you require from me to present the business plan? How detailed? For example, same as what you would give a bank or more in-depth in detail?

Art: Same thing that you’re going to give a bank. The bank wants at least three years past figures. They want this year to date. They want normally five years pro forma. The key things in there are who well have you done in the past three years plus this year to date. That’s number one. Number two is the management team. So, when you’re describing the management team, I was resumes in there. What I want is a good background of where these people come from. I mean, you can put down that they’re lead supervisor. That’s fine, but I want to know what the background is. That’s what the investors want. So, they look first of all what the company has done financially, what does the management team look like, who’s going to carry it forward, and the third thing is a pro forma which is the projection of where you’re going over the next five years. The thing that’s important with a pro forma is if you’re promising them that income of $100,000 a year, and they don’t see it in the pro forma because they’re going to think about staying five years.

So, they’re going to say, “Okay, the first year I’m going to make $100,000. The second year I’ll probably make $120,000.” They add it up, and as long as they’re getting their money back, over that five year period, they’re happy and that’s what they’re looking for.

Michael: Would the investors invest in the Australia dollar?
Art: It’s something you have to address. We have ways around it. Tell them the Australian fluctuation or any currency fluctuation is nothing compared to what Mexico was while we were down there. If I just tell him on one deal that we worked, a $17 million dollar deal, I put that thing together in August of one year. We had certified audits from Price Waterhouse. The bank said they would take the real estate as collateral in the US, which is fine, but they needed to have the certified audits in English in dollars. It took them from August until December 9th to get the thing converted. They charged these people – now, this is just translating for three years, they charged them something like $75-$80,000. I got the word on Friday that the thing was ready to go, which means I could call the banks to let them know which I did that Friday. So, we were ready to go on Monday. On Sunday, they devalued the peso 50 percent. I had to sign a contract with them if I bring in $17 million I get half the company. This is a company doing four million dollars a year net profit.

So, what happened was the contract that I had, I now owned the whole company. I told them as soon as they get the thing back up again – it took them until June to get the thing back to where it had been. I went through that thing completely twice.

Michael: Is there any industry that the investors would absolutely not invest in?

Art: Let’s take risk factor. The worst businesses are service businesses. Most of the people I work with or know, are manufacturing type people. Manufacturing people or businesses, if you took them along the base of retail, wholesale or service, manufacturing business is a safer business based on the ability to sell products, not services or people. You don’t have as many people for every dollar you take on. People are a pain in the ass. So, service businesses are tough. But, you also get them for a better price. You don’t pay as much for every dollar of cash flow, but on the other hand you’re going to get grey very fast. Most of the companies we work on are manufacturing. Those are the easiest ones to put together. They usually have a lot of assets.

So, if we go in there, we bring investors in, and let’s say you buy it for five or ten million dollars. You own it free and clear. You’re going to have a few million dollars in assets. So, if something went wrong, you can very easily go out and hawk those assets. Unless you have it set up that way where you have no debt, you can expand that cash flow. Even though you have the opportunity to refinance, you don’t have to. It doesn’t happen.

Michael: Is there a maximum business size that your investors will deal with?
Art: The investors are dealing within their own scope. They’re looking at a million or two million bucks. We have got a couple over the years with three or four, but the minimum is a million. So, that’s what they’re looking at. They’re looking at their one small segment. In other words, we don’t call all these people together. We work with them individually. Most of the time, they don’t even know each other. I mean, they’re stockholders in a company, and as long as you’re doing well, and as long as you’re feeding the information back, they don’t come back to bite you. And, you don’t have to worry about that, because if they find one in Australia, that appears to be too risky, I will talk them out of it by telling them that we won’t do it.

If you’ll listen to me as we go along, by the time you get down to the end, you will find that I have dialed them in in a way that leads them into what the investors are looking for, what they’re going to put their million dollars on or more. Then, it’s just a matter of having a signed contract that makes sense, paying a fair price for it, market price and not stealing it. They’re all looking for turnarounds. They’re not looking to steal a company. They’re looking to pay market for it. The way you do that is you build it up over a five year period, and then you can either resell it or you could just cash out your investors and keep it all for yourself because you’ll have enough money by then to cash them out.

My problem is I have a tendency to overexplain. I’m an old educator. I want to get this across and even when I’m making a presentation at a meeting, a lot of them will say, “Okay, you get up there, tell them the name of the company and who you are, and shut up.” They then are hoping they’ll ask questions, that I only answer what they ask me because I have a tendency to then go off.

Michael: This is a big thing. When it’s a big thing, and if they’re passionate about it, they want to hear all you have to say.

Art: That’s why our first meeting is always an hour to two hours when I’m talking to you. Even in the beginning they’re wondering, “What the hell are we going to talk about for that long?” Once we start to roll on this, and I start to take away some of the fears they have – they always bring up all the things that could go wrong and all the other. Now, I haven’t said this lately, but in the class, I used to always tell them the first day, “I want you to take out a yellow sheet of paper, and I want you to write down every single reason you have not made it in a business. I want you to write down every single reason you are not going to make it now, why you’re going to fail, who’s going to turn you down. I want 50 of them.” When they get there the next morning, I say, “Look, you have these. As soon as you go...
home I want you to put it in a drawer somewhere or a safe deposit box. Then, after you close on your business, take this sheet of paper out, and it’s going to dawn on you that every single thing that you wrote down, never happened.” That’s why people don’t ever make it going into business because they have all this bullshit in their head, and it’s not true.

I have no reason to lie to them. When we get down to the end, I have to perform. I mean, we have these fees we charge, but unless accomplish what we say we can accomplish, we’ve done it for nothing.

Michael: Okay, here’s in a question in regards to – On the section, “Buyer must provide signed offer to purchase business contract” he says, “Should this be a letter of intent because a contract is binding if we don’t get investors to fund the purchase or the business, we will not be able to close on the deal, or is this terminology issue between the US and Australian market?”

Art: Tell him we need a “formal offer to purchase.” Tell him a letter of intent is a problem because first of all, I end up going a lot of times – because what happens, a letter of intent is a point 30 to 60 days before close. During that 30 to 60 day period, the person buying the company is doing due diligence. Everytime I have gone out and tried to do it for other people, under this clause, under the letter of intent that is not binding, the seller pulls out, the seller changes his mind, we find information in there, and they end up falling apart. There’s less chance of it falling apart if you have a contract and we also know that there’s very little chance that the seller’s going to be able to back out.

Also, with a contract, the seller pulls the business of the market. I’m out there busting my ass, at the same time brokers are working on it to try to sell it to somebody else. And, even going to contract, we’ve had problems with it, but with the contract we have something set in stone. Then the only problem that I have is trying to get the person that I’m working with in Australia, to try to go out and start doing some due diligence because what’s going to happen is you have the contract, the contract will give you a month or two to check things out. I’m doing this at the same time. In other words, I’m now bringing the investors in knowing damn well that if they find something that’s really bad the thing’s not going anywhere. We have just wasted our time.

Michael: In order to meet with buyer at business purchase, due to the logistics and distance of Australia from the US, how will this be done so we keep the cost and expenses in check?
Here’s the problem, unless I meet the buyer, the investors aren’t going to be interested. Unless I visit the business and talk to the sellers or to the brokers, and not do due diligence, but do some checking just like we’re not doing it just by phone – the investors aren’t going to buy it. So, it’s a problem.

How do you keep the costs down? Well, the problem is until I check it out, the expenses are going to go on until the day I get the Perth or wherever it happens to be in Australia, and they’re going to have to pay my expenses there. Now, once we get there, and if the thing goes down, and we can then offer them a contract for them to sign to pay our fee and then we proceed, and at the end of that, they will get all that money back, but they are going to have a charge on that because I’m not going to fly tourist class. They’re going to have a first class ticket to pick up which is not cheap, or business class.

The other thing you have to realize on these calls. I can’t do this for $150 an hour and pay for the telephone call. Feel free to come back and question me, because I don’t want to get in there and find they didn’t put the business plan together, they deal fell through and they want their money back, especially if they’re doing it for $150.