



**BizBuySell.com Small Business Buyer & Seller
Demographic Study**

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Executive Summary

Driven in large part by an increase in the number of buyers and sellers on the market, the small business transaction market grew substantially in 2013, ending the year with small business sales up 49% over 2012 transaction volumes.

But just who are these new buyers and sellers?

In the first quarter of 2014, BizBuySell.com commissioned a deeper look into the pool of prospective buyers and sellers to learn more about the individuals who are buying and selling in today's small business market. The study, which surveyed more than 2,000 buyers and sellers, uncovered several interesting market trends, particularly with respect to the racial identities, age, gender and military status of buyers and sellers.

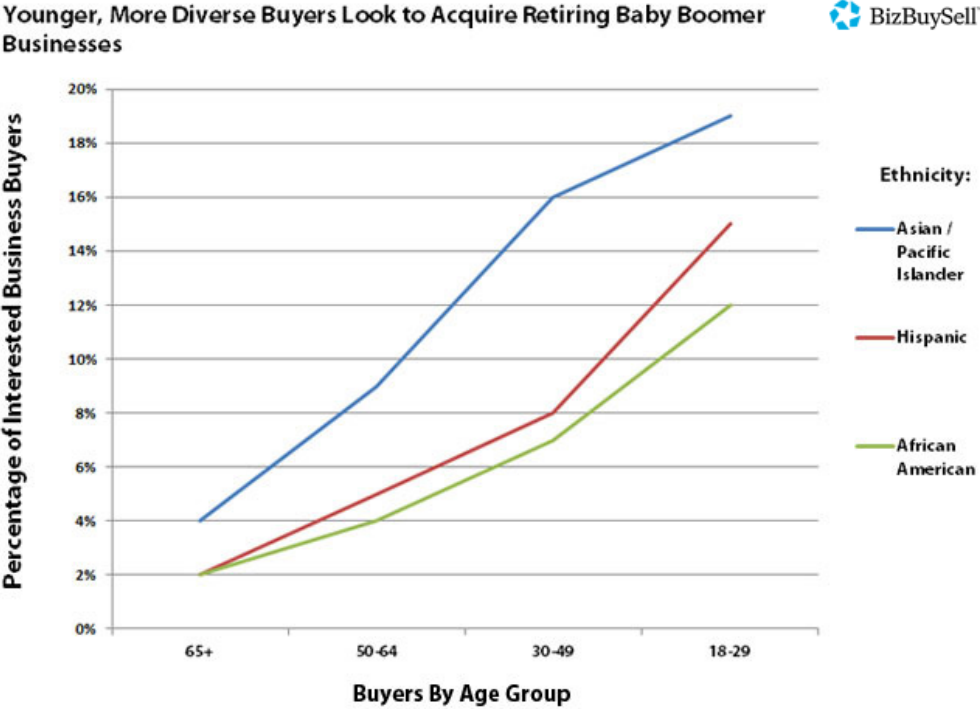
Key findings:

- Prospective small business buyers are increasingly diverse, specifically in the younger age brackets. Buyers 65 and older were found to be 87 percent Caucasian but that number declines to the point where just 48 percent of prospective buyers between 18 and 29 years old are Caucasian. At the same time, the number of Hispanic, African-American and Asian/Pacific Islander buyers grow significantly.
- Female business buyers named their primary motivation as the desire to be their own boss more frequently than men. Men were more likely to pursue business ownership due to dislike of their current job. Women were also more likely to show interest in buying a business after a divorce as 20 percent listed themselves as divorced compared to just 7 percent of men.
- Veterans who are interested in purchasing a small business earn significantly more than the average military veteran. The U.S. Department of Veteran Affairs reports that over 50 percent of veterans have a family income of under \$50,000. For prospective business buyers, however, just 14 percent of veterans listed a household income under \$50,000.
- The melting pot of diversity in today's buyer group leads to a plethora of interesting ethnic trends. African Americans are most likely to be motivated to be their own boss, for example, while Asian buyers are most likely to be buying multiple businesses. The globalization of business has also trickled down to small businesses as prospective business buyers highlighted strong international influences in the business-for-sale market. Asian buyers reflected this trend most heavily as less than 10 percent listed themselves as natural born citizens.

Younger, More Diverse Buyers Look to Acquire Retiring Baby Boomer Businesses

One of the most interesting findings from the study is that a new group of younger and more diverse small business buyers has entered the business-for-sale market.

The study found that young buyers tend to be much more racially diverse than older buyers. Among buyers 65 and older, 87 percent identified as Caucasian—a number that declined significantly as the age of buyers decreased. Caucasians represented 78 percent of the 50-64 year olds, 66 percent of 30-49 year olds and just 48 percent of 18-29 year olds interested in buying a business.



While Caucasian business buyers are less prominent in the younger age categories, the number of Hispanic, African-American and Asian/Pacific Islander buyers increased dramatically in lower age brackets. There were 7.5 times more Hispanic buyers between the ages of 18-29 than over 65, and younger African-American buyers outpaced older buyers by a multiple of 6. Among Asian/Pacific Islanders, only 4 percent of buyers were over 65 while 19 percent fell into 18-29 age bracket.

African American	Asian/Pacific Islander	Hispanic	
2%	4%	2%	Over Age 65
4%	9%	5%	Ages 50-64
7%	16%	8%	Ages 30-49
12%	19%	15%	Ages 18-29

In addition to the increased diversity among young buyers, the study revealed a bump in the number of women who are interested in business ownership. Although the business-for-sale market is still a male dominated world with men comprising 81 percent of all buyers, more young women appear interested

in purchasing a small business. While women represented just 9 percent of buyers over 65 years old, buying activity for female buyers was much higher in younger age brackets: 19 percent of 50-64 year olds, 20 percent of 30-49 year olds and 23 percent of 18-29 year olds.

Older Sellers Ready to Exit Business Sooner

Not surprisingly, sellers were found to be a bit older than buyers, since many sellers are exiting their companies for retirement. Nearly 16 percent of sellers listed themselves as 65 and older compared to just 7 percent of buyers.

The recession delayed retirement plans for many business owners. It appears those owners are now feeling more confident about the market and are ready to sell. In fact, rather than hold on to their businesses any longer, 97% of owners 65 and older indicated that they plan on selling in the next 5 years. When asked for an expected timeline, 57 percent of respondents over 65 expected to exit their business within 6 months and 81% intend to sell within a year.

Interestingly, 76 percent of the older business owners who intend to sell noted that they plan on retiring after the sale. Eleven percent said they would focus on another business venture. In contrast, responses from younger sellers suggest they are much more likely to either reinvest sale proceeds into another venture or simply take the money and find a full-time job. Fifty-six percent of 18-29 year olds and 58 percent of 30 to 49 year olds planned on redirecting their efforts toward another venture. Another 22 percent of 18-29 year olds and 15 percent of 30-49 year olds said sale proceeds would be used to purchase another small business. Finally, 11 percent and 14 percent, respectively for the two younger age groups, say they would return to full-time employment.

Female Business Buyers More Likely To Be Driven By Desire To Be Own Boss

In addition to revealing how a younger, more diverse group of buyers is influencing the business-for-sale landscape, the study included gender-related insights that shed light on the role male and female entrepreneurs play in the buying and selling of small businesses.

Female Buyers Motivated by a Desire to Be Their Own Boss

Female business buyers reported a range of motivations for their interest in business ownership, but the primary motivation appears to be a desire to be their own boss, with 55 percent of women listing it as their main reason for buying, compared to 48 percent of men.

The opportunity to earn higher income and a better lifestyle were the second and third most popular responses for both men and women. Men were more likely to pursue business ownership due to their dislike of a current job (15 percent), while only 10 percent of women reported their current position as a motivating factor in their desire to become a small business owner.

Men Want Out To Buy Bigger Businesses; Women Just Want Out

Retirement remains the single most cited reason for selling a business (39 percent of men, 40 percent of women), but 16 percent (2nd most) of men list “Desire to own a bigger business” as their reason for selling vs. just 6 percent of women. The second most cited reason for selling amongst women is “burn-out” with 22 percent of female respondents selecting this option compared to 13 percent of men. Interestingly, women are two times more likely to re-enter the work force after selling their business compared to men – 16 percent to 8 percent.

The majority of sellers, both male and female, wish to remain entrepreneurs after selling their business, with 52 percent of men and 43 percent of women indicating a desire to buy another business or focus on another venture, however much more men indicate a specific desire to buy another business – 12 percent vs. 3 percent of women.

Men Retired But Bored

For many, retirement from a life-long job offers the opportunity to start a new career, one they may have always dreamed of but not had the time or money to pursue. Business ownership after retirement proved to be especially popular amongst men. In fact, 93 percent of men who listed themselves as retired also cited a desire to purchase a small business. These buyers are often looking to enter business ownership as a hobby or part-time investment.

Female Buyers, Sellers Much More Likely to be Divorced

Divorce is a common catalyst for transactions in the business-for-sale market. Many married couples share joint business ownership and are forced to make a quick decision about their future when the marriage dissolves.

In the event of divorce, many women choose to strike out on their own and reinvest their share of sale proceeds in a new small business of their own. In fact, 20 percent of women interested in buying a business listed themselves as divorced, compared to just 7 percent of men.

Women Selling Different Types of Businesses Than Men

As might be expected, men and women exhibited noticeable differences in the types of businesses they were interested in buying and/or selling. Women were much more likely to be selling businesses in the retail space (23 percent vs. 11 percent of men) and beauty salon/barber shop industry (16 percent vs. 2 percent of men).

Interestingly, women were also more likely to be listing Internet businesses. Sixteen percent of women reported interest in selling an online business compared to just 5 percent of men. Male sellers, on the other hand, were more likely to be selling restaurants (17 percent vs. 6 percent of women).

On the buy side, the male/female divide still existed, but was less pronounced as gender lines may be blurring. Female interest slightly outweighed male interest in retail (22 percent vs. 19 percent) and restaurants (26 percent vs. 23 percent). Women are still more likely to express interest in purchasing a beauty salon or barbershop, but the divide has narrowed (11 percent to 5 percent of men). Men preferred manufacturing businesses (22 percent to 9 percent of women), liquor stores (17 percent to 12 percent) and auto repair shops (11 percent to 6 percent).

Young Veterans Show Strong Interest in Business Ownership; Creating Quality Career As Earnings Far Outpace Those Of Average Vets

It's no secret that U.S. military veterans are a force to be reckoned with in the nation's small business economy. But according to the study, both older and younger veterans are emerging as major players in the buying of small companies.

One of the trends the survey revealed is that a surprisingly large number of veterans are shopping for small businesses. According to BizBuySell's study, 13 percent of prospective small business buyers listed themselves as veterans.

But who are these veterans? And how do they compare to other buyers in the market?

Veterans Buying A Small Business Are Making Far More Than Average

The challenges veterans face when they re-enter the workforce have been well documented. The transition from a military career to a civilian job can be difficult and the unemployment rate is particularly high among veterans who served after 2001.

According to a study by the U.S. Department of Veteran Affairs, 51.6 percent of veterans have a family income of under \$50,000 — a percent that decreases significantly when considering only veterans who are shopping for business opportunities.

In fact, just 14 percent of veterans interested in buying a small business listed a household income under \$50,000. More than 20 percent of veteran families made between \$50,000 and \$74,999, 17 percent earned between \$75,000 and \$99,999 and 22 percent made \$100,000 to \$149,000.

Despite higher reported salaries, the veteran unemployment rate in the cohorts BizBuySell reviewed is considerably higher (around 10 percent) than for non-veterans of the same age (around 7 percent). As a result, veterans who have the capital may be entering the small business market to buy themselves a well paying job.

Younger Veterans Want To Buy, Expand Their Businesses Rather Than Sell

The survey also showed that today's veteran business buyers are not only older veterans, but also more recent military personnel. Just 22 percent of surveyed veteran buyers were 65 and older, with higher percentages of buyers found in the 30-49 year-old (30 percent) and 50-64 year-old (46 percent) age brackets.

But young, veteran buyers aren't simply trying to enter the world of small business ownership—many are interested in acquiring a second or third business. In fact, 25 percent of surveyed veterans who were attempting to acquire a business already owned at least one other business and were trying to expand. This is slightly higher than the 20 percent of non-veterans with expansion plans. The desire to expand indicates that today's veteran buyers are confident in the small business environment and expect the economy to continue on its recovery path.

Finally, while those veterans in the older age brackets may seem more likely to be eyeing retirement, many are just entering the business-for-sale market for the first time. Twelve (12) percent of veteran buyers reported that they are already retired from another career, but want to continue to work by

owning a business—a sizeable bump over the 5 percent of non-veterans seeking small business ownership while retired.

The bottom line is that small business ownership continues to be an attractive career path for many U.S. military veterans. With large numbers of veteran buyers active in the current business-for-sale market, the appeal of the veteran-as-entrepreneur shows no signs of diminishing anytime soon.

Small Business Melting Pot: Increasing Diversity Among Business Buyers as African Americans, Hispanics and Asians Push to Acquire Small Companies

Diversity isn't a word most people would use to describe sellers in today's business-for-sale market. More often than not, sellers are Caucasian Baby Boomers interested in exiting their careers to enter retirement. In fact, BizBuySell.com's survey found that 86 percent of owners interested in selling their businesses identify as Caucasian.

But what about the buyers in today's market?

According to BizBuySell's report, buyers are a more diverse group. Although the market still leans Caucasian, just 74 percent of business buyers identify as Caucasian, a slightly smaller number than the 77.9 percent of Americans listed as Caucasian in the latest U.S. Census (2012). Asian/Pacific Islanders accounted for much of the difference, representing 12 percent of the business buyer pot, more than double the 5.1 percent listed in the Census.

However, beyond mere totals, a breakdown of business buyers by race offers additional insights about who is buying businesses and the motivations behind their interest in business ownership.

More Minorities In Younger Age Brackets

As discussed in a [previous BizBuySell report](#), the number of minorities interested in buying a business is particularly strong in younger age groups. Caucasians again tended to be on the older side, with 48 percent listing themselves as 50 to 64 years old, while another 8 percent were 65 or older. Only 3 percent of Caucasians fell between 18 and 29 years old.

Other races, however, leaned more toward younger age brackets. In fact, the 30 to 49 year old bracket represented the majority of African American (58 percent), Asian (58 percent) and Hispanic (53 percent) buyers. All three racial categories had two percent or less of their population in the 65 and older group, and all outpaced Caucasians in the 18- to 29-year-old demographic.

African American Buyers Motivated to Be Own Boss; Asian Owners Most Likely to Buy Multiple Businesses

When asked about their motivations for becoming a small business owner, a large majority (72 percent) of African Americans cited the desire to be their own boss, compared to 52 percent of Caucasian and Hispanic buyers, and just 38 percent of Asian/Pacific Islander buyers. African Americans were also the most likely to be motivated by better income opportunities and better lifestyles as small business owners.

Caucasian buyers, on the other hand, were most likely to purchase a business as an exit plan from their current careers, with 16 percent indicating they were buying because they don't like their current jobs.

For Asian-descent buyers, success with a first small business purchase may be a motivating factor for additional investments. When asked about their current employment, 43 percent of Asian buyers said they already own a business, meaning their current interest is either based on a desire to own multiple businesses or sell their current business and purchase a new one. This could become increasingly common across all ethnicities as the economy rebounds, since buyers have more capital and confidence in the small business outlook.

African-American Women Prevalent As Buyers; Asian Buyers Male-Dominated

Although small business ownership remains a male-dominated career path, business ownership is growing among women, especially within the minority demographics. Women made up 39 percent of African American buyers, by far the highest percentage of all ethnic groups. At the other end of the spectrum, only 23 percent of prospective buyers were women within the Asian community, making it the most male-dominated ethnic group surveyed.

International Presence In U.S. Small Business Market

As the corporate world continues its march toward globalization, a trend toward greater global diversity is also occurring within the small business community. When asked about their U.S. citizenship status, prospective business buyers responded in a manner that highlighted strong international influences throughout the small business community.

As might be expected, the Caucasian demographic had the highest percentage of natural born citizens at 79 percent. African Americans followed at 70 percent, while just 40 percent of Hispanics listed themselves as naturally born citizens.

Asian buyers represent the smallest ratio of natural born citizens at less than 10 percent, with the majority (52 percent) listing themselves as naturalized citizens.

Buyer Ethnicity Reflects Type of Business They Are Interested In

Finally, several interesting trends emerged when buyers were asked to identify the type of business they are interested in purchasing. Restaurants were the most popular business category overall, with at least 20 percent of all ethnicities expressing an interest in purchasing a food service establishment. Thirty-five percent of Hispanic buyers indicated an interest in restaurant ownership, outpacing all other ethnic categories and making opportunities for food service ownership the dominant acquisition target for Hispanics.

Caucasians most often sought out manufacturing businesses (22 percent) or a bar/tavern (21 percent). African Americans were the most likely to be interested in acquiring a bar/tavern (24 percent), but also expressed the most interest in a beauty salon or barber shop (17 percent). Asian buyer preferences pushed toward convenience stores (40 percent), gas stations (36 percent) and liquor stores (32 percent).

For both buyers and sellers, it's important to remember that the racial and ethnic trends that exist in the current business-for-sale market need to be taken at face value. Every business transaction ultimately boils down to basic sale fundamentals (e.g. purchase price, available capital, etc.), regardless of the prevailing demographic trends that may or may not be occurring in specific segments of the market.

About BizBuySell

BizBuySell is the Internet's largest business for sale marketplace. Since 1996, BizBuySell has offered tools that make it easy for business owners and brokers to sell a business, and potential buyers to find the business of their dreams. BizBuySell currently has an inventory of approximately 45,000 businesses – spanning 80 countries – for sale at any one time and receives more than 1 million monthly visits. The

site also features an extensive franchise directory as well as an easy-to-use business valuation tool. Please visit www.bizbuysell.com for more information.

BizBuySell was founded in 1996 and in 2012 became a division of CoStar Group, Inc. (NASDAQ - CSGP) - commercial real estate's leading provider of information and analytic services. CoStar conducts expansive, ongoing research to produce and maintain the largest and most comprehensive database of commercial real estate information and offers a suite of online services enabling clients to analyze, interpret and gain unmatched insight on commercial property values, market conditions and current availabilities. For more information, visit www.costar.com.