

Case Study In Buying Cheap

Written by Steve Marr

Saturday, 26 February 2011 06:02

Mark was looking at starting a well service business, drilling and servicing a large area in western Iowa. He believed the demand was great because the response time on repair calls was four to six days, and there was a waiting list of 90 days for new well drilling.

Mark determined that equipment would cost \$225,000 and that he would need an additional \$40,000 in operating funds before the business started generating cash. His wife, Martha, was uncomfortable because they only had \$140,000 in savings and she didn't want to go into debt.

Mark was unable to obtain a loan at the bank for the needed capital. Though he had an excellent reputation in the drilling business and he possessed the needed organizational skills to succeed, Martha was willing and able to conduct the bookkeeping and appointment scheduling, and there was an evident need in the market, he had key issues that he needed to address before moving forward:

- The insurance agent said coverage, including liability, would cost \$17,000 per year, but that would not cover theft of equipment.
- Mark was at least \$85,000 short of the needed capital to start.
- Martha did not want to borrow money.

What advice would you give Mark?

The advice Mark received was to look for used drilling equipment. He did just that and was able to find a suitable rig and equipment from a retiring driller in Wyoming. He offered \$100,000 as a down payment, plus a note for an additional \$25,000. Mark was in business. He listened to counsel and addressed the key issues that were in his way. With his wife's support, Mark started a well drilling business that quickly became a great small business. Success!

Steve Marr, Your Christian Business Coach

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