

[The business of goodwill](#) [1]

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It's supposed to be the season of goodwill, and I've been thinking about goodwill recently. Not the good cheer and fellowship that is supposed to exist between human individuals, but goodwill in the commercial sense.

The goodwill of a business is the loyalty of its customers, and indeed its suppliers. When people buy or sell a small business, they are not just buying or selling a piece of land, or a building, or even the stock in the shop? although all of those things have value. They are also buying the goodwill. They are buying the trust that customers have in the business, and their willingness to return to it. They are buying the willingness of suppliers to continue to supply it. And they are buying the knowledge of how to make the business work? things like which customers should be avoided because they don't pay, or which suppliers provide the best value for money and the most reliable service.

Until recently, this goodwill and inside knowledge have been a large fraction of the value of a business. Larger companies even put the value of their brand - the name that customers trust - on their books as an asset, as valuable as cash or stock.

But has the internet changed this? How much inside knowledge do you buy when you buy a small business, like a shop. It might indeed be useful to know which customers and suppliers are reliable. But in terms of sourcing the stock which you have for sale, that is a lot easier these days. A quick online search will discover plenty of willing suppliers. And through blogs and chatrooms it's not hard to check the reliability and value of any of them.

I think this must affect small businesses in particular. A loyal customer base is worth something, but the knowledge of how to stock and run a shop, say, is much easier to acquire these days. Perhaps most of that knowledge now can't really be sold as part of the price of the business. On the other hand, this widespread online knowledge must make it easier for people to start new businesses, and add to the competition. What's bad for shopkeepers might be good for their customers.

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