



Thoughts on Selling a Business

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The business you're now looking to buy may one day become the business you'll be looking to sell. The business that today looks like a one-in-a-lifetime opportunity may become the financial and psychological albatross you have to unload.

A Question of Timing: When to Offer the Business for Sale

Too often a business owner allows devotion, optimism, inertia, or a combination of the three to deflect him or her from offering the business for sale until it's too late. In the interim, a number of things occur that make matters worse. If the problem had been poor sales, sales may get worse, caused in part by the owner's short-timer's attitude. To keep the business afloat, owners will often borrow money, placing more debt on the business's assets, causing the value of the business to decline and even jeopardizing the business' retention of the assets. As the slide continues, owners attempt to cut costs, often eliminating muscle along with fat. The elimination of salespersons and advertising and public relations expenses may lower overhead, but it also inhibits the ability to generate sales. A large- or medium -sized business becomes a small business in the process.

Not all businesses are sold because of the poor financial condition. Businesses are often sold for personal reasons, such as the illness, death, or impending retirement of the owner. If an owner is getting up in years and realizes he or she will want to retire, the time to start looking for a sale is before the retirement date is imminent. Even if the business is solid, the price will go down and/or the terms will be tougher if the buyer senses the seller is under pressure to sell. Even if the business is in fine shape and you are not planning on retiring, you may find out you don't like the business and want out.

How to Sell: Dealing with Business Brokers

Let's assume you have decided to sell your business. There are two basic methods to accomplish this: on your own or through a business broker.

If you decide to sell the business by yourself, you could run an ad on the "Business for sell" website, notify the local chamber of commerce, or rely on word of mouth. The advantage of selling on

your own business is that you'll save on whatever commission you would have paid to the broker. But there are considerable disadvantages.

Even if you run a blind ad, your employees, customers, or suppliers may well learn you're selling, with all the problems of customer relations and employee morale this entails. You will also wind up dealing with a parade of prospective buyers, some of whom aren't interested and others of whom aren't qualified. Some may even be looking for some free advice. The time you take in weeding out all these "tire kickers" is time away from your business.

Selling through a business broker will obviate these problems. The fact that you are selling will be relatively confidential, limited to only those persons the broker prescreens. The broker will have described the business to the prospective buyer (often without identifying the business), informed the buyer of asking the price and terms, and determined whether the buyer can pay. A good broker will also provide you with other valuable services. An experienced broker will be able to tell you what you can expect to receive for your business. If you think your business is worth \$500,000, but the broker knows that similar businesses have sold for \$150,000, the broker can tell you you're wasting your time trying to sell for \$500,000. A good broker will help you structure the sale and minimize the risk that you will be back in the business should the buyer default.

If and when you become serious about selling, the advice here is not to try to sell on your own. Your next consideration should be the choice of a broker and, once the broker is selected, the terms under which you'll deal with the broker.

Selecting the Right Broker

Some years back a real estate broker appeared in my office. He had just picked up a listing to sell a business, and it quickly became apparent to me that this broker knew nothing about selling businesses. When I asked him whether the sale was going to be a stock sale or an asset sale, a blank look came over his face and he blurted out, "Both". This was not a person who was going to give his client any advice about all the advantages and disadvantages of stock sales versus asset sales. Choose a broker carefully. Your best bet is to select a broker who deals only in business brokerage. VR Business Brokers.



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