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Compromising and Countering: VR Shows How to Negotiate a Business Sale

by Peter C. King, VR Business Brokers/Mergers & Acquisitions, CEO

If you've never purchased a business before, negotiating is one of the most challenging aspects of the transaction. What can happen in many cases is that the buyer will spend more for the business than originally intended and the seller receives less than planned.

When you first consult with **VR** Business Brokers, we will instruct you on how the negotiation process works, what to expect from the other party and how you can be most effective. With our decades of experience and innovative tools at our disposal, we will ensure that you will be informed and well versed in how to negotiate.



The Three Ways to Deal

In business sales, there are normally three ways to negotiate the sale of a business:

- **First Offer is Final** – You make one offer that is your first, best and only offer, regardless of what the seller's price and terms are.
- **Splitting the Difference** – This is when you and the seller split the difference between your asking price and theirs.
- **This for That** – An important element is determining what the seller wants nonmonetarily in the transaction such as contracts of key employees, goodwill, intellectual property, etc. Work with them to see what they're seeking to keep, and use it in the negotiation to get closer to your asking price.

It's not uncommon for a buyer to give a verbal offer early on, which gives the seller an idea of how negotiations in the deal will unfold. A seller usually waits for the buyer to move first before getting deeper into discussing the price.

Determining the Value

In most cases, the seller is going to have better information on the business than the buyer as well as more in-depth industry knowledge. **VR** will assist you in preparing the business for sale, where all the information regarding the business is compiled and organized. You will have all the necessary facts and figures when examining the business as well as the industry, so that you will gain a better understanding to go into negotiations.

Examining the Issues and Trade-Offs

Part of your due diligence should be to determine what are the true concerns of the business and the importance of each one to you and the seller. Examine possible trade-offs or alternatives in the deal before you start negotiations. The price should be the last thing you discuss, having examined all the aspects of the business so you can see what you have to use as a bargaining chip. More importantly, through the negotiations, you should be able to read how the seller will respond to what you propose and offer.

Remember, not every deal is meant to be. In every negotiation lies the possibility that you will have to walk away. You could be a tough negotiator, but that doesn't mean you will have a successful transaction. Understanding the goals and needs of the seller will be paramount to completing a deal. Sometimes, the buyer and seller won't see eye to eye, and it's better to move on to the next deal.

VR Business Brokers has facilitated hundreds of thousands of successful transactions, and can assist you in ensuring you negotiate properly with the seller in the business sale.



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