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## What Makes A Good Business Buyer?

*By Ryan Jorden, VR Business Brokers - Managing Partner*

Most business brokers have had the chance to work with far more buyers than we have sellers. This is because each business we list has just the one selling client, however each of these listings can see us engaging with perhaps dozens of potential buyers. Of that group, the majority are either unqualified or simply kicking tires for information. A much smaller number of inquiries come from qualified buyers who are ready with the experience and cash on hand. An even smaller number of this group meets the same criteria, while also being a good fit for the particular business for sale.



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It is our responsibility to eliminate the “non-buyers” from the “qualified”, so you can continue to operate your business without distraction.

So, with the volume of inquiries, we generally receive on any given listing, how do business brokers find the good buyers needed to get a deal done? They may come in different forms, and some people will surprise you, but a good buyer ticks the key boxes of experience, interest, qualifications, and a financial capability to get the deal done. Our process is exclusively designed to find these rarer candidates and has been likened to sifting for gold.

The first step that weeds out the largest group of disinterested and unqualified buyers is simply requesting a signed non-disclosure agreement. In our experience, at least half of inquiring buyers will either not respond to this request or refuse it. It shows us that they don't understand the importance of confidentiality for this process and we refuse to work with them further. Confidentiality is the center of any business transaction and a good buyer will accept and understand the importance to the seller.

For those who complete and return the NDA, the next step is determining their interest in the business, as well as their overall qualifications through a structured interview. We need to know that this person is a good fit and can step in and take over (albeit with training and assistance from the current owner). We're looking for buyers who have worked in the same or a related industry, have management or ownership experience, are keen to learn more about the business, and are willing to disclose the level of capital they have available as a down payment and operations. If they can do this then they're deemed a good buyer and will get access to confidential information about the business, as well as an opportunity to meet directly with the owners.

As business brokers and intermediaries, we quite often prefer to work with individuals who have owned a business in the past and already know what they're getting into. Buying a business can be an intimidating process and the average person has some very legitimate fears that can be difficult to work through in the short time period between an offer and the closing date. Someone who has been there before has an easier time assessing the opportunity and views the risk more objectively. They also have a corporate credit history, experience working with accountants, don't shy away from paying for legal and accounting advice, and usually have an existing relationship with a lender.

At the end of the day, we just need to find one qualified buyer for each of our businesses for sale and previous business owners have an edge on other potential buyers who lack experience, access to professional advice, and available capital. This combination makes it far easier for them to get a transaction completed, while also giving the seller a greater degree of confidence that they're the right fit to take over their legacy. For these reasons, most business brokers would agree that previous business owners often make the best business buyers.

If you think you're a qualified buyer, reach out to your local VR Business Broker today to talk about your next opportunity!



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