

Using Professional Business Brokers



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5 Countries, 40 Offices Offering Businesses & Franchises for Sale,
BEE & Business Opportunities



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10 QUESTIONS TO ASK A PROFESSIONAL BUSINESS BROKER

1. How will you market my business?
2. How much do you think I should ask for my business?
3. How will you show my business?
4. Do you cooperate with other business brokers?
5. Will you display my business on any Internet sites?
6. How often will you contact me about what is going on?
7. Can you provide any references?
8. Are you affiliated with any business brokerage associations or trade groups?
9. May I have a sample copy of your listing agreement?
10. Can you please tell me about you and your firm?

SELLING - WHAT DOES AN INTERMEDIARY EXPECT FROM YOU?

If you are seriously considering selling your company, you have no doubt considered using the services of an intermediary. You probably have wondered what you could expect from him or her. It works both ways. To do their job, which is selling your company, maximizing the selling price, terms and net proceeds, plus handling the details effectively, there are some things intermediaries will expect from you. By understanding these expectations, you will greatly improve the chances of a successful sale. Here are just a few:

- Next to continuing to run the business, working with your intermediary in helping to sell the company is a close second. It takes this kind of partnering to get the job done. You have to return all of his or her telephone calls promptly and be available to handle any other requests. You, other key executives, and primary advisors have to be readily available to your intermediary.
- Selling a company is a group effort that will involve you, key executives, your financial and legal advisors all working in a coordinated manner with the intermediary. Beginning with the gathering of information, through the transaction closing, you need input about all aspects of the sale. Only they can provide the necessary information.
- Keep in mind that the selling process can take anywhere from six months to a year -- or even a bit longer. An intermediary needs to know what is happening -- and changing -- within the company, the competition, customers, etc. The lines of communication must be kept open.
- The intermediary will need key management's cooperation in preparation for the future visits from prospective acquirers. They will need to know just what is required, and expected, from such visits.
- You will rightfully expect the intermediary to develop a list of possible acquirers. You can help in several ways. First, you could offer the names of possible candidates who might be interested in acquiring your business. Secondly, supplying the intermediary with industry publications, magazines and directories will help in increasing the number of possible purchasers, and will help in educating the intermediary in the nature of your business.
- Keep your intermediary in the loop. Hopefully, at some point, a letter of intent will be signed and the deal turned over to the lawyers for the drafting of the final documents. Now is not the time to assume that the intermediary's job is done. It may just be beginning as the details of financing are completed and final deal points are resolved. The intermediary knows the buyer, the seller, and what they really agreed on. You may be keeping the deal from falling apart by keeping the intermediary involved in the negotiations.
- Be open to all suggestions. You may feel that you only want one type of buyer to look at your business. For example, you may think that only a foreign company will pay you what you want for the company. Your intermediary may have some other prospects. Sometimes you have to be willing to change directions.

The time to call a business intermediary professional is when you are considering the sale of your company. He or she is a major member of your team. Selling a company can be a long-term proposition. Make sure you are willing to be involved in the process until the job is done. Maintain open communications with the intermediary. And, most of all - listen. He or she is the expert.

WHEN BUYING OR SELLING: ATTORNEYS SHOULD BE DEAL-FRIENDLY AND SALE-WISE

Whether you are buying or selling a business, your legal counsel can make or break the deal. It is important that you emphasize to your attorney that you want the sale to go through. In many instances, the sale of the business fails to close because the attorney for one side or the other makes too many demands of the other side. Certainly, you want your attorney to protect your interests, but not to the point where the demands are so strenuous that the other party or his or her counsel balks. If your attorney understands that you really want to buy--or sell, as the case may be--he or she will be less apt to make outrageous requirements or demands. Below are some things to consider when dealing with your attorney in the buying or selling process.

- Both parties should understand just what is being sold--and purchased.
- The corporate records should be current and complete.
- The seller should have available the current insurance policies and the names of the insurance agents involved.
- If there is more than one owner, there should be a designated spokesperson representing the group. This authorization for one of the owners (or stockholders) to represent the business should be in writing and signed by all of the owners.
- The buyer and the seller must both have the same understanding of the sale and its terms. Too often, they each have their own perception of the deal. Each party to the sale must understand just what the deal is and who is getting what, or the sale may be doomed before it starts.

To help prevent wrecked deals, good communication between all of the parties involved is a priority. Unless they are told, outside advisors may not realize how much the buyer and the seller want to consummate the sale. The attorney needs to know from the client that this is a serious-minded transaction and that, unless something completely unanticipated is discovered, his or her job is to pull the deal together. Too often what happens is that after the offer is signed and everyone appears to be in agreement, the ball gets dropped. Everybody assumes that everybody else is following through and that all is fine. The attorney for one side or the other attempts to push on an issue that is, normally, not particularly important--and suddenly, what was once a simple transaction now falls apart. Unfortunately, the attorney thinks he or she knows what is best for the client and draws paperwork or demands something without even discussing it with their client. The damage is done, the other side gets angry, and another sale "bites the dust."

The use of a professional business broker can, in many cases, alleviate this problem. The business broker--having been through the process many times, usually much more often than any of the attorneys involved--knows the pitfalls. However, it is important that the parties to sale are operating on the same wave length and have the same understanding of the sale.

SELLING YOUR BUSINESS YOURSELF? NOT A GOOD IDEA

The independent business owner who decides to sell is at the threshold of a major process involving the emotions as well as the marketplace. In many cases, the business for sale represents the seller's life work. Being the independent type to begin with--as well as someone who knows about deals and sales--the tempting notion sometimes arises: **Why don't I handle the sale of my business myself?** Those sellers with similar temptations should first take a look at the steps necessary for the successful business sale--and at the advantages of taking those steps in tandem with the best possible professional guide.

Preparing the business for sale

What looks good or just fine to the seller could make quite the opposite impression on prospective buyers. The weathered sign out front that the seller thinks is "rustic" might strike a buyer as in need of a fresh coat of paint. On the other hand, improvements planned by the seller may be either unnecessary or wrongly-conceived. In either case, sellers would be wise to rely on the advice of a business broker--a professional with experience in dealing regularly with buyers and with the objectivity required to set the business scene to its best advantage. Of course, preparing a business for sale goes beyond outward appearances. Ultimately, a business will sell according to the numbers. A business intermediary can be invaluable in helping the seller provide financial records that are clear and up-to-date.

Pricing and evaluation.

All sellers naturally want to get the best possible price for their business. However, they also need to be realistic about the true value of the company for sale and to understand that price is, in fact, dictated by the marketplace. To determine the best price, a professional business broker will use industry-tested valuation

techniques, including ratios based on sales of similar businesses, as well as the historical data of the type of business for sale.

Marketing and advertising.

The professional business broker is key to the marketing of a business. He or she will prepare a marketing strategy and offer advice about essential marketing tools: everything from a business description to newspaper advertising. Business brokers, through their data bases of buyer prospects, professional associations and other networks, can get the word out about the business far more effectively than any owner could manage on an individual basis.

Presenting the business.

The professional business broker is experienced in handling the typical objections and negative "readings" many typical buyers will raise. Does the business lack parking space? Is its location less than ideal? The business broker has the skills to balance negatives with positives, or to point out that what appears to be a disadvantage is not always the case. In addition to skill, a business broker also offers the seller convenience. Sellers often fail to visualize the number of buyer calls they would have to field if handling the sale on their own. The business owner working with a broker can continue managing his or her business at the same time the selling process is underway.

Negotiating the business sale transaction.

The business broker will be the most vital advisor to sellers during any stage of the sale transaction. Steeped in knowledge about negotiating price, terms, and other key aspects of the sale, the broker will guide the seller each step of the way. During the early stages, while the buyer is still considering making an offer, the broker is the ideal person to follow up and keep the deal running smoothly. Sellers working alone could lose bargaining effectiveness by doing the follow-up themselves.

Mastering the paperwork.

Even though business owners handle mountains of paperwork as a part of doing business, few of them have had training in the specialized contracts and forms required for the sale of a business. The business broker is an expert at sales transaction details. This expertise will help guard against delays, problems, and--that worst of all possible worlds--the "wrecked" deal.

Qualifying buyers.

The business broker will determine the right buyer for the right business, focusing on those prospects who are financially qualified and who are genuinely (or potentially) interested in the type of business for sale. For locating and qualifying prospective buyers, a business broker uses computerized databases to access comprehensive lists of local, national and international buyers--all to increase the chances of selling a business at peak value. And, almost as important, to avoid wasting the seller's valuable time.

Maintaining privacy and confidentiality.

When a business broker is involved in the sale, bringing to the business only those prospective buyers who qualify, it is also easier to maintain confidentiality during the selling process. Until a purchase-and-sale agreement has been signed, most sellers do not want the word to reach their customers, competitors, employees, or even their bankers. A business broker helps by using nonspecific descriptions of the business, by requiring signatures on strict confidentiality agreements, by screening all prospects, sometimes phasing the release of information to match the growing evidence of buyer sincerity and trustworthiness.

Professional business brokers provide all these vital services, and more, for the seller of a business. This is one time where "do-it-yourself" just can't measure up--in terms of money, time, and the general success of the sale.

WHY USE A BUSINESS BROKER/INTERMEDIARY

Business brokers and intermediaries can be valuable allies when it comes time to sell your business. Here are just some of the reasons why it pays to work with professional business brokers:

- They help sellers establish a fair asking price - fair to the seller and the buyer. There is no sense going to market with a price that won't attract serious, potential buyers.
- They sift through potential buyers and show the business only to those who are serious about business ownership. About one out of 50 people who call about a business ad are really serious enough that they will eventually buy a business.
- They work on a confidential basis so the entire community doesn't know that the business is for sale.
- They show the business at times convenient for the seller and will also take charge of the process.
- When a potential buyer shows interest in a particular business, the broker will provide preliminary information on the business, schedule meetings with the seller, negotiate the terms of a proposed transaction, and will generally work with the parties until a satisfactory conclusion is reached.
- They guide both the buyer and the seller through all the nuances of the deal, walking them through the various steps necessary for a satisfactory conclusion.
- They work with the various outside professionals and act as the conduit between them.
- Finally, a business broker/intermediary, will in most cases, obtain a selling price that is more than the seller would obtain on his or her own.

WHY USE A BUSINESS BROKER TO SELL YOUR BUSINESS

Some business owners feel that they can sell their business themselves. After all, who knows the business better than they do. Often, these owners become sellers by simply placing an ad in the newspaper and waiting for the telephone to ring. They think of the money they can save by not paying a broker's fee. Sounds good, but it very seldom works! First, the telephone may not ring. If it does, it may be the local competition attempting to find out what is for sale and for how much. Those who may be interested will visit the business, ask a thousand questions, leave, and never come back. So much for confidentiality, proper pricing, qualifying the prospects, and finding the right buyer.

Business brokers are not magicians. They can't sell an overpriced business or create a demand that isn't there. What they can do, however, is market the business so it is shown only to qualified and interested buyer prospects. Sellers have to understand that business brokers can provide suitable prospects from the overwhelming majority of people who don't really know what they want. Very few buyer prospects really know what kind of business they want, or what best fits their needs. In fact, 90 percent of all buyers are considering buying a business for the first time, and are open to all suggestions. A business broker can supply many prospective buyers that sellers couldn't find on their own.

Very few sellers price their business properly. A business broker has a handle on the local marketplace, access to market data, and pricing information not available to a seller. Business brokers are also good sources of outside financing, if available. In some cases, the full sale price is not the issue, but rather how the sale is structured is the key to a successful sale.

Business brokers generally have a backlog of buyers that they work with on a current basis. They prepare a business profile on the businesses they represent, designed to show the business in its best light. They know how and when to advertise, when to use trade publications, how to use the Internet, and how to qualify buyers. Business broker can maximize the price of a business and create added value so that their fee is generally a non-issue. Sellers usually receive a higher price when working with a business broker, even after the fee, than they would if selling the business on their own. Remember, it almost always pays to use a professional!

HOW CAN THE PROFESSIONAL BUSINESS BROKER HELP?

Whether buying a business or selling one, going it alone, so to speak, can be full of surprises and pitfalls. Here are just a few of the ways that a business broker professional can assist in the sale of a business:

- Help maximize the price a seller can receive for the business. Many times the secret is in the structuring of the price and terms. A seller shouldn't leave money on the table.
- Create and prepare a marketing strategy. The business broker professional knows the marketplace.
- Interview, educate and show the business to only qualified buyers.
- Keep the seller informed of everything that is happening regarding the sale of his or her business, and provide advice accordingly.
- Present all offers and point out the weaknesses - and strengths of each one.

- Provide the names of other qualified advisors, if necessary and any other resources that will be helpful during the selling process.

The business broker professional is an experienced businessperson who specializes in selling businesses and helping people interested in selling and buying them. They know the current market conditions, pricing strategies and the selling process itself. They know how to market the business and work with qualified buyers. Sellers must understand, however, that the marketplace and not the business broker will determine the final price.