

4.5 Things a Great Business Broker Performs for Clients that Sellers Don't, Won't or Can't (The Unknown Pitfalls of FSBOs)

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It seems there are more FSBOs popping up these days. Given the accepted assumption that 20% of the businesses in a marketplace are for sale (or thinking about selling),

I don't believe our competition for clients is with our fellow brokers. Rather it's with those business owners who have yet to see the value in a professional and elect to go it alone. Properly communicated, the FSBO can become an appreciated client. The following should be pointed out to a business owner before they leap:

1 A business broker chases the buyer.

My experience with most business owners is that they have an action-oriented mentality of getting things done. The same action attitude to sell a business can be mistaken for an overly motivated seller, leading the buyer to perceive the seller as desperate and further questioning "What's wrong with this business they aren't telling me?" A dedicated broker can chase the buyer and guide them towards a closing, and the buyer expects it.

2 When you have one buyer, you have no buyers.

This is simple supply and demand. When the deal is made of one seller and one buyer, the buyer perceives they can negotiate best price, best terms or best whatever. When the broker adds the ingredient of multiple buyers, excited and interested in the same business, it fuels a flavor of competitiveness in favor of the seller who then gets their best price, best terms and best deal.

3 The buyer's magic words, "I'm interested in your business," aren't so.

Those five words fill a seller with the same giddiness as their first high school sweetheart. The buyer doesn't know anything else to say of course, because in our society, nobody wants to reject or be rejected. So the buyer muddles along, burning through the seller's time while asking for this and that, in hopes of finding a reason not to do the deal and fade off into the sunset leaving the seller holding the corsage. A professional broker can get to a "yes" or "no" from the buyer quickly and move on, keeping the asset of time on the seller's side.

Seller's have *only one opportunity to sell their business correctly the first time.*

4 Where's the beef?

My experience has shown few sellers who attempt selling on their own ever properly screen the buyer. Their judgment is based on #3 and is by far the largest threat to the owner. Many (small) businesses are sold with a significant value tied to the intangible. While the buyer asks for financial statements, customer lists, vendor contracts, franchise info and on and on, the seller never requests a financial statement to determine the buyer's ability. Nor does the seller get a proper non-disclosure, non-competition/circumvention/solicitation agreement completed. The buyer loves everything about the business, except the price, and decides rather than purchase the

existing business they'll start a similar one. After seeing all the confidential records they have everything to model the business (so they think) for less investment. This is a losing proposition for the owner who just unknowingly created a new competitor. A competent broker will screen the prospective buyer and separate the wheat from the chaff, while protecting the seller's confidentiality and proprietary business functions.

4.5 Managing the business and selling the business, how much time do you have?

The seller has a business to run, employees to manage and customers to gather, service and keep. Selling a

business is a full time endeavor. If not handled professionally, taking the focus from managing the business to selling the business could do permanent harm to the business and value, not to mention the seller's emotional and mental health. Most of us would never perform major surgery ourselves, represent ourselves in law or attempt to build our home from the ground up. So why would we choose to exit from the norm when it comes to the most valuable asset we own ourselves?

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