

Professional Business Brokers

If you are considering selling your business, a business broker may be of great assistance. These "go-betweens" are often called intermediaries, investment bankers, financial advisors, merger and acquisition specialists, finders or other similar names. Regardless of the name, a good business broker can make your sale easier and more financially rewarding.

When selling your business

A business broker provides three critical functions for the seller of a business:

1. Creating a competitive pricing environment.
2. Keeping activities confidential.
3. Making the process go smoothly.

Maximizing your price

A business broker can reach more potential buyers than most business owners. While the owner may know of some potential buyers within a geographic area or in the same industry, a business broker will likely be able to tap into a wider range of potential buyers. They will know individuals who are always looking for opportunities of a particular size and type. They should also be aware of corporate buyers that may want your business for strategic or scale reasons.

As an agent, it is also easier for them to make an initial contact to determine whether a potential buyer may have an interest. The broker can often determine the level of interest without revealing the actual business. It is very difficult for an owner to make that type of call.

The business broker's role is to get several potential buyers interested in the business and then create a competitive atmosphere. More prospective buyers mean the potential for a better price and better terms.

Confidentiality

A quiet transaction process can be important. It can get quite uncomfortable if your employees, customers and competitors know your business is for sale. Employees will be anxious over their future, customers will feel their relationship is in jeopardy and competitors will undoubtedly use this information when they try to solicit your customers.

A business broker can approach a potential buyer and determine their level of interest before actually disclosing the name of the company for sale. If the party is interested, a broker can get a confidentiality agreement signed before providing any detailed information. A broker can also make sure your business doesn't get "over shopped."

The owner can stay involved and only allow information to be released after they are aware of the potential.

Smoothness

Most owners have little or no experience in selling a business. Estimating a realistic price range, knowing what steps to take, what information to provide and how to handle transaction negotiations can be difficult. All these issues take valuable time away from running the business. The business broker should have the experience and expertise to handle many of these time consuming activities.

Establishing an estimated price range can be best accomplished by working with a business broker. The owner knows what the business is capable of and the broker knows what is happening in the market for similar businesses. Together, the broker and the owner can determine an initial price range and create a selling document that justifies the price.

Once actual negotiations commence, the broker can help take some of the emotion out of the process. Your business has probably been your passion for years. A qualified broker will help you take a step back and approach its sale in a way that maximizes your benefits and minimizes your stress.

Selecting a business broker

Make sure the business broker you select is qualified and that you can have a comfortable working relationship. You can start with the Yellow Pages or the Internet. You may also want to contact the International Business Brokers Association (a non-profit trade group) for names of brokers in your area.

Some business brokers have a tendency to specialize. As you investigate brokers, ask about their typical size of transaction and the types of businesses they have sold. Experience selling businesses in your price range is important, but if a broker has successful experience in your industry that may also be a point in their favor. Ask for references and be sure to check them out.

Most brokers will want an exclusive listing for an extended period of time, meaning aht only they can sell the business during that period (or even after the agreement ends if the broker had introduced the buyer during the listing period). If you use another broker in violation of the agreement, you will still have to pay the commission to the first broker. Most listing agreements are for at least six months and often as long as a year.

Choose a broker you can work with. Selling your business can become a trying and emotional process. If there is tension in the relationship at the beginning, it could be a long and painful process as you work your way through potential buyers and ultimately a sales transaction.

Finally, remember the broker works for you. They get paid based on their success finding a buyer and based on the price. When they find a buyer and get an acceptable price, both you and the broker win.