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Biz broker can help you get best price in tough market

Many business owners today approaching retirement find themselves in a precarious situation. Having put their careers and often, most of their assets, into their company, selling their business is the only barrier between them and their new lifestyle.

These older business people want to spend more time with their families, relocate to other parts of the nation or they simply want to sell because their health is not what it used to be and they know that it is time to pass the baton to a new owner. However, many find themselves caught up in one of the toughest recessions in U.S. history. Their sales are soft and financing for new buyers is very limited.

A business broker's job is to help these owners obtain the best possible price for their business while taking into account today's realities. The first step is to price the company at a level that is competitive with other businesses in the market but without losing sight of the key points of difference of the business. In addition, a business broker qualifies buyers and ensures that they have the financial resources and the right background to buy and operate the business. Another valuable asset that a business broker provides to the business owner is to aid them during the process of negotiating with a potential buyer.

In order to evaluate if an offer to buy your business is a good offer, it is important to understand that the sale is not only about the price. There are three necessary key elements in an offer: price, terms, and the relationship between the buyer and the seller.

The price of a business is important and should be based on market factors. To establish a rational price of a business, one must take into account how much money the business is making. It's important to understand the competitive position the business has. In other words, you must have a good idea of how dominant its market position is and how established it is. The analysis needs to shed light on the risk factors that a buyer would have to incur with the purchase of the business. Because the price should reflect the true value, it is essential that sellers and buyers remember to set aside their emotions throughout the process.

The terms of an offer are equally as important as the price. Because of the uncertainty of our current economy, seller financing is becoming more common. Seller financing can be a positive element because it shows buyers that a seller is vested in their business and has a true desire to see the business continue to thrive. However, a seller should never sell a business solely on seller financing, as there are too many risks for the seller due to the lack of "skin in the game" for the buyer.

Earnest money is one way the buyer shows their commitment. The earnest money should be at least 5 percent of the total price. Contingencies and conditions are also terms that the seller and buyer provide so that all issues are resolved prior to closing and in established dates. Common conditions or contingencies are franchise approval, outside financing, lease approval and assignment, training, and inspections. In addition, the seller may agree to stay on for a period of time to allow the new owner to get grounded.

Most important is the chemistry that the buyer and seller have. It can sometimes make or break a deal. Sellers sometimes look at their businesses as their child; they care about seeing it prosper and about seeing their employees continue to thrive under new management.

Ideally, a buyer will bring new energy, a new vision, and improved managerial skills to the business. The broker will qualify the buyer by gathering financials, business plans, and other pertinent information that will ensure that the buyer is vested in the purchase.

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