

# For Business Buyers And Sellers: A Guide

by Tom West

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Your best guide for buying or selling a business isn't words on paper--it's the competent presence of a business broker. Although business brokers generally represent the seller, the buyer also reaps the benefits of expert guidance. A business broker provides vital services for both parties and acts as the "glue" for holding together the pieces of the business sale process. Here's how a business broker will work with both the buyer and the seller:

## **The Business Broker and the Buyer**

Business brokers prefer to talk to people in person, and the buyer is no exception. During a preliminary meeting in the business brokerage office, the broker will typically ask the prospective buyer questions such as these:

1. Do you have the necessary funds to buy a business?
2. Is the cash readily available?
3. What is your time-frame for buying a business?
4. What are your expectations about the purchase of a business?

After this fact-finding meeting, the broker can then show the buyer businesses that are both feasible and that fit the buyer's requirements. Further steps the broker will lead the buyer through are as follows:

Since sellers are (rightly) concerned about confidentiality, the broker will ask the prospective buyer to sign a non-disclosure or confidentiality agreement.

The broker will provide the prospective buyer with preliminary information about one or more businesses, including pertinent financial data.

The broker will arrange for the buyer to see businesses of interest.

Once the buyer has indicated strong interest in a particular business, the broker can then supply additional information and schedule further on-site appointments.

When the buyer is ready, the business broker will be the best source for answering questions, addressing concerns, resolving loose ends, and offering a business broker's unique expertise in the business sale

transaction.

**The Business Broker and the Seller:** When it comes time to sell, one of the best decisions a business owner can make is to continue managing his or her business efficiently (and profitably), while depending on the services of a business broker to orchestrate the steps of the sale. To make the seller's job easier and more effective, the business broker will...

Determine the right buyer for a particular business. 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.

Advise the seller on pricing. The business broker is an expert in placing a realistic price on the business and incorporating intangibles; thus reducing the danger that every seller fears--underpricing the business. At the same time, the business broker can help the seller to understand that the selling price is dictated by the marketplace--not by a well-meaning accountant or friend who may have an unrealistic idea of what the business is worth.

Prepare a marketing strategy and offer advice about essential marketing tools, such as a business description memorandum; in fact, the broker will help the seller in all key aspects of presenting the business as effectively as possible. Later, the broker can also help in the structuring of the sale transaction.

Present offers and point out both strengths and weaknesses. The business broker will be a vital advisor during most stages of the negotiation, bringing to "the table" objectivity as well as negotiation skills developed through years of experience in the buying and selling of businesses.

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#### ABOUT THE AUTHOR

Mr. Tom West is the publisher of, **THE BUSINESS BROKER**, and, **MERGERS AND ACQUISITIONS TODAY**, newsletters. He has written or co-written numerous books including, **BUSINESS BROKERAGE BASICS**, the **BUSINESS BROKERAGE:MANAGING FOR PROFIT**, the **HANDBOOK OF BUSINESS VALUATION**, and the **1998 BUSINESS REFERENCE GUIDE**. He is a founder, past president, and former executive director of the International Business Brokers Association (IBBA). He is a frequent lecturer and seminar leader. Mr. West is probably the most knowledgeable individual in the country today concerning the issues of buying or selling small to mid-sized businesses.

