



Common Mistakes Sellers Make

Not knowing the value of your business

Surprisingly, many sellers get into the market without taking the time to understand the true value of their business. It is natural to want top dollar for your business, but the amount you want, the amount you ask and the amount you actually receive can be very different realities. Some sellers hear a "number" from their CPA, friends or associates and remember the highest number. Others will see other, similar companies listed on the Web, but of course these listings may be highly inflated and often are. Remember, less than 50% of the companies listed actually sell. The best way to understand the value of your company is to have a detailed valuation report prepared, and go over it with a business advisor.

Not looking at your business from the buyer's point of view

Sellers often have a hard time looking at their businesses realistically. They may claim that a little marketing would grow the business 50%. An astute buyer (actually, just about any buyer) would naturally wonder if it was so simple, why didn't the seller do that? It is common for the seller to point out expenses that could be cut to raise the profitability, but a buyer then wonders why in the world did the seller pay for all those unnecessary expenses? A buyer is usually skeptical of anyone selling their business, and unrealistic claims do not help them gain confidence in the seller, their business and especially the price being asked.

Limiting the number of buyers exposed to your business

Simply put, you cannot sell at "market value" unless you go to market. It is quite common for a seller to be approached by one or two competitors or investors, and then agree to execute a "quick" sale. More often than not, the sale isn't quick (the buyer has little incentive to maintain the intensity needed for a truly quick sale) and it hardly ever brings top dollar. The best and really the only way to get maximum value is to allow market forces to validate and support the selling price.

Allowing a potential buyer to damage your business

From every group of potential buyers there are those who have strange and unrealistic ideas of how to purchase a business. They want to know every revenue and expense detail, yet they often try to hide their own finances. Some will invariably try to interview employees, suppliers or customers unless the "ground rules" are carefully explained, sometimes repeatedly. Out of this group come a few good, qualified buyers and eventually a match, but it takes patience, education and a constant management.

Not preparing compelling marketing material

To obtain the most value for your business, it must be presented in the best possible way. A buyer will pay more for a business when all the facts are laid out in a clear manner so they can more clearly assess their risk. Buyers, like all of us, fear the unknown. A professionally prepared Confidential Business Review (CBR) contains an executive summary, company history, operational overview, financials and more that is intended to make a buyer comfortable with the business – comfortable enough to make an offer.



Common Mistakes Sellers Make (cont.)

Not preparing the business for sale

When selling a home, most homeowners will take the time to “clean up” the home and make sure the records are in order. Yet many business owners fail to do the same thing when selling a business. Being ill prepared hurts a deal in two ways: First, it raises concerns with a buyer to see incomplete or missing records, messy workplace, uncollectible receivables, etc. Second, an incomplete “package” invariably leads to delays during the transaction,

Allowing delays to creep into the transaction

Delays kill deals. They sap the energy and emotion of all involved and they are a leading cause of deals that die or go quietly away. It is important that the “momentum” of a deal is maintained but it is just as important that a seller continue to focus on their business. These demands can and often do overwhelm a business owner, who lacks the time, energy and knowledge to manage a sale and run their businesses at the same time.

An experienced intermediary will help you avoid these mistakes (and a lot more not listed). Selling a business is a complex and demanding task and one of the most important decisions of your business life. A qualified professional will handle the task of selling while you focus on running your business.