



A New Approach to Selling Your Business

Why Should I Hire a Broker?

It's more interesting to begin by asking: Can a business be sold without the use of a broker? The undisputed answer is obviously yes. Many businesses still sell through private parties.

Sellers hire brokers because they believe the broker will do a better job than they would. Knowing whether the broker you're hiring has any practical experience and any success selling businesses in your area—*that's the hard part!*

Key functions of a broker

Business valuation: Fair market value is what a willing buyer will pay a willing seller, period. Without selling a number of businesses in a particular area, a broker couldn't possibly know what fair market value is for a business. Without this experience it's simply theory. The right broker will know the value based on experience, and work with local valuation experts to assist in the process.

Confidentiality: Brokers protect the seller and buyer in every possible way, even though the selling process requires the sharing of information. Using a good broker is the optimal way to ensure confidentiality.

Packaging and marketing: Quality brokers have expertise and know what makes a business attractive to a buyer. They can therefore identify strong selling points for each business, which a seller might not have considered. After all, selling a business is just that... Selling! Packaging and marketing are critical to the successful sale of a business.

Finding prospective buyers: Brokers should be constantly marketing to buyers through websites, direct mail, phone solicitation, and networking. This results in a large database of interested buyers of all sorts.

Buyer qualification: Brokers screen prospective buyers in several ways. They obtain documents such as credit reports and financial statements, as well as interview buyers regarding credentials and experience. Sellers do not want to waste time with buyers who may not have the needed experience or are not serious buyers.

Consultation: A broker works with owners throughout the process regarding all aspects of the sale, including the terms of sale, financing issues, non-compete and other contract issues, customer retention, and whatever else is needed to make the process run smoothly.

Negotiations: Brokers provide important third-party negotiation skills to ensure that the deal gets done under terms that are satisfactory. This is one of the most underappreciated aspects of what a good broker provides and could fill an entire book of its own. This is where the broker either pays for himself or costs the seller money.

Financing: Successful brokerage firms have access and expertise in obtaining financing for the buyer so that the seller can receive cash at close if the business and buyer qualify. A broker can also provide guidance and valuable experience with regard to seller financing issues when necessary.

Large Pools of Buyers: It is simple Economics 101: Sellers can't get the best deal from one or two potential buyers they met at an industry seminar. The larger the pool of potential buyers, the better the chance of getting not only the right price and terms, but the best fit for your clients and staff.

There is a reason some brokers successfully sell many businesses each year, while others don't. Some work hard and produce results while others merely list businesses and wait. Selling a business is not a simple process. It's a complex, legally binding transaction with potential repercussions far into the future.

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