

10+ Tips to Successfully Sell Your Business

1. Prepare for the Transition to a New Owner & New Management.

When you make the decision to sell, start to prepare your business for the new owner. Start putting things in order so the business runs smoothly and "on its own" without total dependence on your management. The business should not, especially now, depend solely on you. This will make your business more attractive to prospective buyers and make the transition to the new owner easier for both of you.

2. Establish a realistic price for your business.

The marketplace will ultimately determine the selling price; you need to know the market value or worth of your business. See our graph on the following page illustrating Initial Asking Price vs. Selling Price and the effect it has on the time a business is on the market; businesses with an initial asking price within 20% of the final selling price sell 27% faster than those that are priced at over 20% of the final selling price.

3. Accept the Financing Facts.

You may need to finance part of the sale of your business, since banks are traditionally very selective about loans for the purchase of most businesses. Even SBA lenders prefer to see some seller financing as a part of the deal. Seller financing helps close the deal and seller financed businesses generally sell for higher prices.

4. Update & Clean Up Your Financials.

Make sure the financials for your business are accurate, detailed, and up-to-date. Although Buyers won't see your full financials until an offer is made and accepted, questionable Financials or unclear financial information can be a deal killer. Present yourself well "on paper", look at your financials from the perspective of your buyer, make sure the financials are easy to understand and clean. Also remember that buyers won't pay for what you can't reliably prove. A good buyer won't be looking at just your business; they will look at a number of businesses and buy the best one in their price range.

5. Look at Your Business from a Buyers Perspective.

You have worked hard to build your business and naturally you are proud of your accomplishment; but you must be realistic about the business' deficiencies and correct or improve what you can. Put yourself in a prospective buyer's position the next time you go to your place of business; pretend you are a buyer looking at it for the first time. How impressed are you? With this in mind make the necessary improvements.

6. Time for "Spring Cleaning."

Sell unused and obsolete equipment and inventory. Buyers will not want to pay for it and they may worry that it is getting added to the selling price if they see it lying around. This is a good time to see what else needs to be clean up or just sold off to make the best possible impression good buyers won't be looking at just your business, they will be looking at several.

7. Run your business as usual or better.

Just because you are selling, now is not the time to let the business slip. It's important that prospective buyers see your business at its best: bustling, and showing no signs of neglect. Here are a few areas to focus on:

- Keep normal operating hours and stay involved in the business. There is a tendency for sellers to relax and slow down when they put their business up for sale.
- Maintain inventory at normal levels

- Repair non-operating equipment or remove it.
- Repair signs, replace outside lights, and do a general spring cleaning for first impression purposes. Tidy the outside premises (if appropriate). Spruce up the interior as well.
- Remove items that are not included in the sale.

8. Confidentiality... keep your selling plans to yourself.

KR Business Brokers understands the importance of confidentiality and it is important for you to understand this as well, confidentiality works both ways. A business broker helps by using nonspecific descriptions of the business in advertisements and profiles, requiring signed confidentiality agreements with all buyer prospects, and screening of buyer prospects. The broker will constantly stress confidentiality to the buyer prospects they show your business to. However, as the seller, you must also maintain confidentiality about the pending sale in your day-to-day business activities with customers, employees, vendors, and even your friends until the purchase agreement has been completed and accepted. Employees, suppliers, and even customers might react negatively to your "news," and you need their stability and loyalty more than ever at this crucial time. It is best to keep your plans strictly confidential, especially with regard to your employees, suppliers, and customers.

9. Get & Use Professional Advice.

Many business owners think that no one knows their business like they do, this may be true, but you still need to rely on professional advisors. You are not a business broker, accountant, and legal advisor all rolled up into one person. Use professional help and advice when necessary, but more importantly, listen to the experts.

10. The Structure of the Deal is Important.

The selling price may not be the only thing to consider. You may find that the real problem is in the details. Your KR Business Brokers Associate and other advisors can consult with you on this.

For example: One of our Sellers saved over \$170,000 in taxes by following the recommendations of one of the tax advisors we work closely with and changing the deal structure.

11. Be Prepared to Negotiate Sensibly.

Don't reject an offer without giving it serious consideration and discussing it with your VR Sales Associate. Study it closely, just because you didn't get your full asking price doesn't mean it is a bad offer or it can't be negotiated into a good one. The offer may have points that will offset the purchase price, such as higher payments or interest, a consulting agreement, more cash than you anticipated or a buyer that you are comfortable with. The right buyer may be more important than a higher price, especially if there is seller financing involved, which is often the case. If you must counter-offer, do so only on those points that are really critical to you. Be flexible and willing to negotiate reasonably, and most importantly keep things in perspective and don't sweat the small stuff.
