

BE A WINNING SELLER: GOOD NEGOTIATION IS THE KEY

You've made the big decision to put your business on the market. Your reasons for selling are valid, carefully-considered, and "good" – the kind that won't make a prospective buyer shy away. Now, you may tell yourself, comes the fun part. You'll come up with a price – maybe a little high, but why not? – and let gut instinct (an attribute common to successful business owners) lead the way.



Wait just a minute. Or maybe a quarter of an hour; however long it takes you to bone up on your negotiation skills with the following steps as a guide. Being a smart negotiator is tantamount to effecting the successful sale of your business.

Gather Your Forces

The first step is to engage the help of an M&A broker professional. He or she understands the sales negotiation process as well as tactics for marketing the business. Before sitting down with your M&A broker, however, you should gather the following information: profit and loss statements (for three years), current federal income tax returns, a list of fixtures and equipment, copies of equipment leases (if any), the lease and any lease-related documents, a copy of your franchise agreement (if applicable), lists of loans (if applicable), with amounts and payment schedule, an approximate tally of inventory on hand, and the names of any outside advisors (attorney, accountant, etc.) you plan to consult.

Be Market-Smart

It's vital to have a clear and realistic notion about the value of your business. Pricing your business intelligently is as important as impressive financial records. Your M&A broker will apply industry-tested valuation methods, including ratios based on the sales of similar businesses, as well as the historical data that most closely matches your type of business. He or she will also incorporate intangibles to insure that the business will not be underpriced. At the same time, your broker will make sure you understand how the price is dictated by the marketplace and that realistic pricing is an absolute must. Most buyers won't wait for an outsized price to drop – they will just go somewhere else.

Know Your Buyer

Finding the right buyer may be more important than getting that extra-high asking price. Your M&A broker will determine the right buyer for the right business, focusing on those prospects who are financially qualified and are genuinely interested in your type of business. It's important also to know something about the bargaining power of the buyer and to discover early on how he or she plans to finance the purchase of your business. Your M&A broker will do that and more: he or she will anticipate the buyer's concerns and counsel you about being up-front about any problems that might make a buyer suspicious and therefore unnecessarily adversarial during the negotiation process. Steeped in knowledge about negotiating price, terms and other vital aspects of the sale, the broker will guide you each step of the way. During the early stages, while the buyer is still considering making an offer, the broker is the ideal person to follow up and keep the deal running smoothly. Working alone, you could lose bargaining effectiveness by doing the follow-up yourself. And, in general, having someone else negotiate on your behalf is the smartest way to go. The "middle man" can get your thoughts across, keeping you at a distance from the words themselves.

Be Flexible

In negotiating the sale of your business, you need to keep the ball rolling once an offer has been presented. Study it closely, and don't automatically despair. Just because you didn't get your asking price doesn't mean that the offer has nothing to commend it. It may have other points to offset what you feel is a low figure, such as – if the deal is to be seller-financed – higher payments or interest, a consulting agreement, more cash than you anticipated, or the promise of a buyer relationship that will make life easier. In evaluating an offer, take the long view and look for the ways in which the offer just might accomplish your objectives. Above all, don't think in terms of "punishing" the buyer because of a low offer. This is the worst reason for rejecting an offer – and certainly a self-defeating one for you.

Beef Up Bargaining Power

The best negotiating weapon is to have options available. For the seller, the mightiest one is lack of desperation. With any luck, you have not waited too long to sell and your business is sound. Carry this a step further: be sure, in preparing to sell, that you don't let the business slip. It's important that prospective buyers see your business at its best – bustling, and showing no signs of neglect. You should, for example, keep normal operating hours, repair signage and other first-impression areas of the business, repair or remove non-operating equipment, remove items not included in the sale, maintain inventory at constant levels. Make it obvious that you have not been forced to sell, and that – if necessary – you could refuse all offers and carry on the operation of your business. This may be the last thing you want to do, having made the hard decision to sell, but the buyer won't know that.

Master the Art of Good Timing

Timing is crucial to the successful sale of a business. Any deal has a shelf-life, and it will go stale if it sits around too long. On the other hand, sometimes ideas need extra time to jell – and people sometimes need a little time-and-space to be more objective about their own positions. Your M&A broker will keep the process moving at the proper pace. He or she will also provide or offer advice about the specialized contracts and forms necessary for the completion of the sale.

In negotiating the sale process, you will benefit many times over from the guidance of an M&A broker professional. The M&A broker represents you, the seller, and works toward completing the transaction in a reasonable amount of time and at a price and terms acceptable to you. The broker will also present and assess offers and, at the appropriate juncture, he or she can help in structuring the sale and negotiating its successful close – helping to create a win-win situation for everyone involved.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.