WHY DO I NEED AN INTERMEDIARY WHEN SELLING MY BUSINESS?

Some Sellers are initially reluctant to deal with an Intermediary in putting their business on the market. Usually, this reluctance stems from one or both of the following concerns: 1) the hope that by dealing directly with the buyer, the net sale proceeds of the business will be increased, because no brokerage commission is involved; and/or 2) the fear that the Intermediary will somehow coerce or force the Seller to enter into a transaction against the Seller’s will.

While it is true that a commission is payable when an Intermediary is involved, we believe that the value added to the transaction usually exceeds the commission fees. The structure of a transaction is often a critical factor in determining what a Seller will walk away with when the transaction has been completed. Maximizing the sale price does not necessarily guarantee maximum return. A skilled Intermediary can help negotiate the deal structure that is best for you.

A look at the process of selling a business should allay fears about pressure to accept a deal that will not be in the best interests of the Seller. Throughout the process, Sellers are encouraged to seek the help of competent professionals to ensure that their interests are protected. A skilled Business Intermediary will work with the Seller’s attorney and accountant or will recommend attorneys and accountants who are experienced in working through the various aspects of a business transaction. If the Intermediary is acting as a “Seller’s Agent,” the Intermediary has a fiduciary duty to represent the Seller’s best interests.

In addition to the financial gain generally associated with the use of an Intermediary, there are other items an experienced Intermediary will bring to the table: 1) Confidentiality; 2) Screening and pre-qualifying potential buyers; 3) A customized marketing plan; and 4) The possibility that their pre-identified and pre-qualified buyer database contains the right buyer for the business.

Confidentiality. Most Sellers have the legitimate desire to keep a pending sale confidential. How, then, does a Seller reach the people who have the interest and wherewithal to purchase the business? Do key employees leave the business when faced with the prospect of a sale, leaving the owner scrambling to fill the position or having to do the work himself while marketing the business, screening prospective buyers, answering questions from “tire-kickers,” or worse, while the competition takes away business from nervous customers?

Screening and Pre-Qualifying Potential Buyers. An experienced Business Intermediary will obtain confidentiality agreements from potential buyers, as well as a statement of financial qualifications. Their contacts with various lenders should help smooth the transaction by helping the buyer obtain acquisition financing and assisting the lender with required documentation.

It is particularly important to understand that when you work with an Intermediary as a Seller’s Agent, they are on your side, working with the buyer to negotiate details, working with lenders, attorneys, and accountants to smooth the transaction and obtain the best deal for the Seller. Like any other advisor, you must be comfortable with the professionalism and integrity of the Intermediary that is working with you.

A Customized Marketing Plan. How to market your business for sale is best answered by professionals that are experienced at getting the phone to ring and then weeding out the tire-kickers from the buyers. A comprehensive marketing plan will include a detailed presentation package.

Pre-Identified and Pre-Qualified Potential Buyer Lists. A great advantage to using a professional Intermediary is that they are already in contact with many buyers and know the buyer’s qualifications and search criteria. Often a transaction can be put together by using pre-identified, pre-screened buyers already in the Intermediary’s database.

The FBB Group, Ltd., has the experience to help you determine how to position your business for sale, how to value and to confidentially market your business, and how to find qualified buyers. And we’ve done it over 1,000 times. Call us for a valuation. We’d love to help you through this challenging time.