

## Why Your Business Won't Sell – Tips for a Fast Sale!

What are the odds of your business actually selling once you have made the decision to sell? Well, if the annual sales of your business are \$750,000 or less, research indicates that the odds of your business selling are only 18 percent. If your annual sales are \$750,000 to \$2 million, your odds increase to 25 percent. If your annual sales volume is above \$2 million, the odds increase to 30 + percent. Keep in mind that approximately 75 percent of all businesses have annual sales of less than \$750,000.

What does this all mean? To put it bluntly: if you are thinking of selling your business, you have about a one in five chance of it actually selling. This obviously begs the question: why are the odds so poor? One would think that if you put your business on the market, it should sell in a reasonable length of time. Here are some reasons why some businesses didn't sell-as explained by various business brokers and intermediaries. They are excerpted from an article in INC magazine, April 2002.

- The business is no longer listed for sale. The cash flow was strong, but a lot of buyers thought that the deal was overpriced.
- Buyers were intrigued, but the economics of the deal wouldn't make sense, and the seller wouldn't negotiate.
- There was serious interest, but the owner got distracted by an arrangement with a friend to solicit offers. None came through.
- We almost had a deal, but financing was impossible to find.
- We had three offers, including an accepted bid for \$4 million, but the buyer couldn't get financing.
- The deal dragged on for months but fell apart for lack of financing. . .

They say that timing is everything. Many business owners wait until the economy is down. Their own business is also paying the price for the slowdown, so they elect to sell. Now they discover that the price they thought they could get for their business is not realistic in today's market. Sellers should keep in mind that the best time to sell is when their business is doing well.

One factor that emerges from the comments by intermediaries above is the lack of financing. This would seem to indicate that the sellers wanted all cash, or, at least, a good portion of the selling price in cash. Three of the comments stated that the reason the deal didn't go through was that "financing was impossible to find," "the buyer couldn't get financing," and "...fell apart for lack of financing." The reasons that obtaining financing is so difficult are (1) the business doesn't qualify for financing, (2) the buyer doesn't qualify for financing, and, most importantly, most small businesses are not financeable. Banks are generally not interested; the Small Business Administration (SBA), although certainly an option, only comes through in less than 10 percent of deals. If lenders are not interested in financing the sale of the business, there are only two choices: the buyer pays all cash or the seller finances the sale.

### **Tips for a fast sale**

- Have up-to-date financial information available
- Prepare a current list of fixtures & equipment
- Maintain normal business hours
- Spiff up the business
- Set a realistic price
- Be willing to negotiate
- Gather all of the information a buyer might like to review

Here are two major ways to increase the odds that your business will be the one in five that sells:

- Make sure that you are serious before you put your business up for sale. You should be willing to accept, within reason, what the marketplace is willing to pay. It's not what you want for your business, or what your accountant says it's worth - it's what a buyer is willing to pay. Find out if the price you are asking is in the "ballpark" before you go to market. Your local business brokerage professional is a good place to start. He or she can tell you what similar businesses have sold for and what you might expect to receive if you sell now.
- Be willing to finance the sale of your business. Counting on the businesses selling for all cash or assuming that the business can be financed will most likely make your business one of the four that don't sell. By showing your willingness to assist in the financing, you reassure the buyer that you have confidence in the businesses' ability to finance itself. Also, keep in mind that by financing the business you will be entitled to interest on the balance, thereby increasing the price you will receive.

Following these guidelines and tips might not sell your business, but it will certainly increase the odds. Almost any business will sell under the right circumstances. If you are serious about selling, the first step would be to call a professional business broker. He or she can answer all of your questions about the selling process and what it takes to sell your business in today's economic climate.

### **The Perfect Business**

The perfect business, the one that would be sure to sell, has the following attributes:

- a reasonable price
- a reasonable down payment (hopefully 40 percent of the full price or less)
- seller financing
- reasonable sales (hopefully increasing each year)
- seller earnings of \$60,000 or more
- a compelling reason for sale
- a desired or popular industry type
- attractive and strategic location (if important for business type)

