

WE KNOW

BUSINESS STRATEGY

HOW TO SELL YOUR BUSINESS

QUICK GUIDE

INTRODUCTION

Once you have decided to sell a business, you need to plan it well.

If you want your best price and a sale, you need to consider who the likely buyer may be, then have strategies to target this group. By managing the marketing process you can maximise your exposure while maintaining confidentiality. One or two mismanaged ads will only expose your business to a small percent of the buyer pool - and could well alert your employees, customers and suppliers that the business is up for sale. Key employees might jump ship, others might stop putting in the effort, your customers might search for other sources and suppliers might search for other customers. It is important to manage this process and the disclosure of information. Having a plan and professional advice will get you well on the way towards negotiating a price and terms that are suitable to you.

WHAT DO BUSINESS BUYERS WANT?

Your business has to stand out as a good bet – profitable, interesting and with a bright future.

Traditionally **buyers usually look first to the bottom line** and if what they see interests them, then they work their way back up through the accounts. Ideally the bottom line needs to look good and reflect a healthy business, or at least reflect the **potential for future profit making**.

While cashflow and profitability are important to buyers, there are also other aspects that will be of interest. Buyers are often seeking release from a 9-5 job and the freedom of managing their own destiny. Varying aspects of your business will appeal to different buyers, and there will be buyers out there wanting to research and compare their options prior to making an offer.

Training or transition periods can help. Your buyer may have never owned a business before and could be anxious about getting into your industry. Consider providing training to ease the transition.

WHO WILL BUY YOUR BUSINESS?

There are many types of prospective business buyers; they can be looking for an **investment** or a **change of lifestyle, new immigrants** into the country, or those that have **been made redundant** or find themselves out of a job in middle age.

Consider the type of buyers your business is most likely to appeal to, what they will be looking for and how much they are willing to spend to buy a business like yours. An important question to ask yourself is are you meeting the market? After all, your business is only worth what someone is willing to pay for it.

The best way to target the prospective buyer and maximise your sale prospects is to **define your buyer and their needs and ensure your marketing plan has the right mix to reach this group**, thereby ensuring the best value for your marketing dollar. This might entail engaging professionals, making it easier for you to continue managing your business throughout the marketing and sale process.

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PREPARING YOUR BUSINESS FOR SALE

- **How it looks** – first impressions count. Make sure it looks sharp, desirable and well poised for the future.
- **Profitability** - ensure it shows good and healthy accounts.
- **Cashflow** - build your sales and minimise unnecessary expenses.
- **Systems and processes** - ensure they are sharp, working well and fully documented for ease of transfer.
- **Unnecessary assets** and dated or surplus stock - get rid of it.
- **Documentation** - ensure all agencies, leases, licenses, patents and contracts are current and in place.

A Future

Make your business look attractive, and show that it has a future to help maximise your price and catch the attention of more potential buyers. If necessary, reposition your business to show it has a future. Make it a business someone would want to buy.

The Cashflow

Ensure your business accounts reflect a well-run and preferably profitable business. The value of a business is invariably determined by its current and future profits. Buyers and lenders will look at the performance of the business in the immediate past and often the last three years to guide them in assessing future trends and profits.

Systems and Processes

Owners are often the main source for client contacts and daily operations - with other activities being assumed by staff. Unfortunately, this only attaches the goodwill to the business owner, and is of concern to any potential buyer. Documenting your systems and processes and reducing the business' dependence on you will assist in transferring the goodwill with the business.

Streamline

Any assets, be it plant or vehicles, which are not essential to running the business should be removed from the balance sheet. Removing these assets from the balance sheet prior to the sale will ensure that the price being asked for the business includes only the assets essential to running it, this helps keep the asking price in the reach of the purchaser.

MARKETING A BUSINESS FOR SALE

When selling your business, put yourself in the buyer's shoes and find out what they will be looking for; these factors will need to be incorporated in your advertising, if not by you then by your Business Broker.

Who is your business most likely to appeal to? What will they be looking for, how much are they likely to be willing to spend? What's important to them; the numbers, status, lifestyle, hours? You will need to spell out the value of the key attributes contained in your business in terms that are important to your buyer.

Define your buyer and their needs in your marketing plan. Then determine how to best market your [business for sale](#) so you reach this group, looking for ways to get the best value for your marketing dollars by targeting your most likely buyers. In today's market you will require a multi-pronged approach in order to draw out your best prospects.

1. **Decide whether or not to engage the services of a Business Broker** - Generally, using a business broker is a good idea - especially if you have limited time to work with potential buyers, are not easily contactable or lack the necessary knowledge and skills to effectively market your business for sale. A [competent business broker](#) will be experienced in the market, will deploy multi-faceted marketing initiatives to reach potential buyers, will help compile sales documents, manage confidentiality issues, assist in setting a realistic price ([valuing a business](#)), and will help handle and negotiate the technical aspects of the sale without being attached to your business.
2. **Have an Information Memorandum (Sales Brochure)** - this document needs to encapsulate your business, setting out its main features, benefits and financials in a summary form. Memorandums are both persuasive and informative and incorporate the buyer's needs to assist in capturing their interest.
3. **Have a Plan (Marketing Strategy)** - this needs to determine how best to create interest and attract the right buyers. It should also include an advertising schedule, identifying the timing and types of advertising sites and mediums to be used to best expose your business.
4. **Target your Advertising.** Two or three mismanaged ads in poorly targeted or low traffic mediums won't cut it. Free or poorly rated and/or mixed message mediums, or using representatives with little credibility seldom makes the grade and are more likely to waste your time and money, and attract the wrong people. Spend time ensuring your ad copy is sharp, and use proven mediums and tools run by reputable operators:
 - **Newspapers or print:** will they be mainstream readership, local, NZ wide, with featured or teaser ads?
 - **Internet:** are they well established [business for sale](#) specific sites with good traffic, buyers, history and credentials?
 - **Databases:** are they current, qualified and suitable? How many prospective buyers will see your business?

USING A BUSINESS BROKER

Visit several reputable business brokers to gain a complete picture of services available. Use a business broker that has a current and qualified database, who understands the market, and knows how to reach the potential buyers of your business. Don't be afraid to ask questions, for example how many prospective buyers are on their database, how much and where will they allocate on marketing your business, which newspapers and internet sites they will use. As with any professional, it is a good idea to ask the broker about recent sales and for the names of satisfied clients you can contact.

An experienced business broker can provide you with an appraisal on the value of your business using transaction data and valuation methodologies. Remember it is the job of the business broker to expose the [business opportunity](#) to the buyers who are likely to pay the highest and best price and to successfully manage the sale process.

The broker's fee is usually paid when the business is sold. Generally fees vary depending on the sale price of the business, but as a rule of thumb the larger your business, the more room for negotiating a fee structure. If you intend to market the business yourself while also engaging the services of Business Broker, then discuss this with your Broker and include an agreed and appropriate clause covering any fees due should you find a buyer independently of your broker. Ensure the broker will only disclose information to qualified buyers who have signed a confidentiality agreement, and that it limits the right of use of such information.

If in doubt, seek independent or legal advice prior to engaging the services of a broker.

Check out New Zealand [Business Brokers](#), who actively use the internet to market their client's businesses for sale.

To sell your business and get your best outcome and price, it is important to prepare your business for sale. Download a copy of our free 'nzbiz Seller Checklist' to help with [preparing your business for sale](#). To [place an ad](#) or to find out more on selling a business, go to nzbizbuysell.co.nz

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