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What Triggers a Business Owner to Sell?

For many years we have been publishing monthly newsletters in an effort to spread awareness of our services around helping business owners to buy and sell businesses. Over time this strategy has helped us build many long-term business relationships as well as broker many successful business sales. We have written about a large variety of topics in an effort to pique the interest of potential buyers as well as to catch the eye of a long-time business owner that has come to the conclusion that it's time to sell.

So what causes a business owner to decide to sell his/her business? Is it retirement, market trends, opportunity to scale the business? Whatever the reason for considering the sale of a business, it's an important decision and perhaps one of a half dozen or so major decisions the owner will make in his business life. It should be made with a lot of thought and preparation.

Often an owner will see that changes are likely to be needed for the business to continue and be successful. It could be the retirement of key personnel, the need to invest or borrow funds and take on

Owners Who Try to Sell the Business Themselves

Most owners have no idea of all the pitfalls they are likely to encounter, nor the time-consuming nature of the efforts it takes to sell a business. It is a full-time job requiring specialized knowledge.

You already have a full-time job running your business. If you are good at it, your business will be salable. But, if you spend your time trying to sell the business yourself, your attention will be diverted from the success of the business, which may result in a significant decline in your operating results. Declining profitability results in one of two things: (1) the business fair market value declines or (2) if it declines too much, the business may not be salable. Keep your eye on the ball and hire an experienced professional intermediary to help sell your business.

Issues encountered when owners try to sell the business themselves

- Owners tend to overvalue the business in their minds. Overpriced businesses almost never sell.
- Owners often fail to maintain confidentiality, and therefore run the risk of losing customers, employees, and suppliers, possibly killing any chance of selling the business.
- Owners may prepare inadequate marketing packages and provide inadequate or misleading financial information or disclosures.
- Owners frequently fail to qualify buyers for background, financial capabilities, and motivations.
- Owners have insufficient time to devote to selling their business or, alternatively, spend so much time on the sale

additional risk, actions by competitors, personal health issues, or a myriad of other factors. In any case, they all still have to be carefully thought through with careful planning.

Since 1988 we've been involved in the change of ownership of hundreds of businesses. We've been through the process many times and have experienced a lot. Please contact us for a no cost, no obligation opportunity to explore options.

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that profitability declines, causing a corresponding reduction in the value of the business.

- If an offer is received, owners may become overly emotional in the negotiating process and lose good prospective buyers.

Many qualified buyers will not even consider businesses for sale by owners

As nearly always occurs with overpriced businesses, many experienced prospective buyers will not even consider investigating businesses for sale by owners because of previous erratic experiences in similar situations and the remote likelihood of closing sales with owners who are trying to sell their businesses themselves. So those do-it-yourself sellers automatically lose a large population of qualified buyers.

Competitors are not usually good prospective buyers

Many small business owners mistakenly believe their competitors are the best prospects to buy their business. In reality, in most circumstances, the competitors are the last people that you want to know you are selling your business. If approached, or if they catch wind of your interest in selling, competitors may feign interest to learn more about your business to enable them to compete better with your firm. But they'd rather see you out of business than expend funds to acquire your business. And there are very real dangers for customer, employee, and supplier losses if competitors spread rumors of an impending sale. ***Thinking of competitors as prospective buyers can be a disastrous mistake.***

Business sales are difficult, often once-in-a-lifetime, time-consuming transactions with multifaceted marketing presentations, thorny negotiations, complicated paperwork, strenuous due diligence, and a complex closing process. Things seldom proceed 100% smoothly from start to finish. It takes the knowledge of an experienced intermediary to handle the difficult impediments and situations that inevitably arise as a transaction moves forward.

Have you considered the negative consequences of trying to sell the business yourself?

NEXT ISSUE

**OWNERS WHO ARE NOT
COMMITTED TO A SALE**

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