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October 2021

People to see, Places to go, Things to do...

We often ask Business Owners that are considering selling their business if they have plans of what they will do after the sale. We've heard varying answers from, "I have no idea", "I plan to retire", "I plan to visit my kids / grand-kids" to "I plan to travel". Often plans include "we have people to see, places to go, or things to do".

What a business owner plans to do after a sale is often the reason they want to sell. What the owner is able to do and does before selling is important to buyers. Why? It's simply because business buyers rely on the owner to transition the business to them. Having employees that are capable of running the business in the owner's absence is a plus as there is a structure in place and there is less reliance on the owner.

Owners may say that they can be away, but have they been away? Has the owner delegated decision making responsibilities and do they allow employees to make decisions? Has the owner been gone for a week or two? When gone, do they feel the need to be in touch daily or to just keep in touch or micro-manage? If the business has existing employees capable of running the business so that the owner can be away for periods of time, it significantly adds to the value of the business.

Buyers at times state that the owner "needed but not necessary". Why? Small business owners often have a lot of personal goodwill with customers and vendors that in many cases may be tied to the owner. If ownership changes, it might

Owners Who are not Committed to a Business Sale

If you try to sell your business without being fully committed to doing so, the results could be painful or even disastrous. The danger of working informally with multiple business brokers'

A few years ago, after a prospective seller declined our offer of a no-charge, no-obligation evaluation, I received these words in an email: "if you have a buyer that is specifically interested in our business or a business like ours, we will be happy to engage in a more detailed conversation."

I responded, in part, with: "By taking this approach with me, or any other broker, you have several potential problems. First, and most importantly, you have a confidentiality problem. I will not act on your words, as written, but another broker might view those words as authorization to discuss your business with a prospective buyer without obtaining a confidentiality or non-disclosure agreement from the prospective buyer, which could lead to severe confidentiality issues for your business. Second, without having completed an evaluation, other than what is on the website, I know very little about your firm - not nearly enough to adequately discuss it with a prospective buyer. Third, I have no idea as to the fair market value of the business, nor whether that value matches your expectations."

My response continued: "I hear the words often from a seller, "if you have a buyer" from prospective sellers a fair amount of the time. The fact is, we probably have multiple buyers with an interest in your type of business. But so much is dependent on the value of the business and whether that value matches your expectations. Again, that's one of the benefits of working with us on a potential, no-charge, no-obligation evaluation. You will know the current market value (and how the value was derived) and you can determine if that value meets your expectations.

One of the essential keys to a successful sale of your business is preparation. You need to have an understanding of the process, including the need for confidentiality. . You run the risk of confidentiality issues arising that can result in your customers, employees, and suppliers hearing rumors that your business is for sale. The risk of a confidentiality breach while selling a business can be devastating and costly.

A confidentiality breach increases exponentially when you have conversations with industry insiders, or friends, (or even with some unethical brokers) and utter words such as "if there were a buyer..." Individuals you talk with who have not signed a confidentiality agreement may talk with others who have not signed a confidentiality agreement, and pretty soon one of your customers, employees, or suppliers will be asking you about a rumor they heard. **Be careful.**

A qualified intermediary (business broker) will confidentially evaluate your business to help you set expectations and identify obstacles so you can make an intelligent decision to sell or not sell. If you decide to sell, the intermediary should also pre-screen prospective buyers for qualifications and financial capabilities and obtain a confidentiality agreement before releasing any information on your business. Be prepared and make a commitment

be a reason for those loyal customers and vendors to look for alternatives.

Owners should look at how their business operates and how they manage the business and employees. Be open to analyze and realistic about the capabilities of key employees. This is something that should be done regularly, not just because the owner is considering the sale of the business.

If you are a business owner looking to sell or perhaps even buy, let's meet and talk about what opportunities exist.

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To enable you to make a commitment, you need to (1) educate yourself, (2) understand the process, (3) evaluate and decide and (4) prepare for the sale.

Six examples of owners who may not be committed to a business sale

- 1) An owner with an overpriced business
- 2) An owner with incomplete financial information
- 3) An owner who does not understand the tax implications of a sale
- 4) An owner who has not evaluated if he can afford to sell
- 5) An owner who wants to sell his business and real estate, but does not want to pay for a real estate appraisal
- 6) An owner who is not aware of the many obstacles he may encounter in a sale

At this point, do you have all the information you need to enable you to commit to a sale of your business? We can raise your confidence levels.

NEXT ISSUE
CHOOSING THE WRONG INTERMEDIARY
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