

Please take a moment to review the valuable content in our newsletter.



Zoellner, Garten & Co.

Cincinnati & Dayton OH

513-852-2400

937-677-2400

May 2022

Bolstering Customer Relationships

A constant focus should be understanding your customers' business goals and needs. This will not only help you find ways to help them resolve their potential issues but will also identify ways to achieve greater success for your business.

Providing top quality customer service while working hard at helping your customers achieve success can go a long way. Keep in mind that dealing with customers is often reactive, meaning you respond after an issue has occurred. Customer success on the other hand, takes on a proactive approach in which you work to try to anticipate and address needs before your customers contact you.

By understanding your customers' business, you can be more proactive and responsive at helping them avoid business pitfalls. It might better secure relationships and keep them from looking at options – your competitors. The more of a trusting relationship you have with your customers, the more likely you are to

CONTROLLING EMOTIONS

For most owners, the decision to sell their business is very emotional. It's their baby. Their personal identity is tied to the business. It's who they are. And they have poured a lot of blood, sweat, and tears into nurturing the business through good times and bad. It's almost as if the business is a family member. Letting it go is usually not an easy decision to make.

Adequate planning, understanding of the business sale process, and recognizing there will be contentious issues are the keys to managing your emotions. A good intermediary can help prepare you for the entire process and act as a buffer during negotiations.

The most emotional times in the sales process

Seller emotions are hardest to control at four times in the sale process: 1) making the decision to sell; 2) negotiating the first offer; 3) the due diligence stage, and 4) negotiating the language of the representations and warranties of the final definitive documents.

Good preparation is the best avenue to controlling emotions

The best way to gain control of your emotions is to have planned thoroughly for the sale of your business. Emotions tend to rise when we encounter surprises that we did not expect and are not prepared to handle. With proper planning for the sale of your business, most emotional hurdles can be identified and planned for in advance.

Seller's remorse

If you decide to sell your business, make a commitment to do so. You should know what you intend to do with your life post-sale and should look forward to it. If you are unsure, at several key moments in the process, you will begin to experience the overwhelming emotion known as seller's remorse. Going through the motions of putting your business up for sale, and then renegeing on the commitment may make you an emotional wreck and create the possibility of significantly devaluing your business in the future.

Determine the realistic value of the business

achieve long and mutually beneficial business relationships.

One issue to consider – who is responsible for maintaining good customer relationships? The answer should be obvious – it's everyone! The person that answers the phone, customer service personnel, the sales and marketing persons, anyone that deals with billing and payments, and of course management and owners all play a role. Any one along the way can have a positive or negative impact on the relationship.

Finding ways to support your customers should be a continuous initiative. Making tough decisions about customers almost always improves business performance. Sometimes what is right for your business is not right for your customers. Having a good understanding of why may enable you to find ways to partner with your customer in a way that can help both find success. No matter what your business goals are, perhaps to sell at some point in the future or to grow or just to be stronger, trusting relationships with your clients is needed.

If you would like to know the value of your business, and get some ideas of its strengths or weaknesses, or if you might consider selling or buying another business, feel free to get in touch to discuss your options. And as always, with no obligation!

Establishing the offering price on your business is also an emotional moment. Seldom does a seller believe the fair market value is adequate compensation for the sweat equity invested. But, there are formulas for valuing businesses, and the purchase price will be determined primarily by those formulas, not what the owner wants or thinks the business is worth. If you fail to address the emotion of realizing what the realistic value of your business is prior to putting it on the market, you're destined for pain and potential failure. Overpriced businesses will only sell at their true fair market value and if the owner's expectations vary from that, the emotion of finally facing that realization is painful for all involved parties, and usually results in a failed transaction.

Responding to offers

As indicated in the previous issue of this newsletter series, often the first offer is the best offer. But, sellers need to recognize that buyers will often start negotiations with a low-ball offer. Even if your business is realistically priced, as it should be, so many businesses are overpriced that buyers assume sellers have significant negotiating room. Experienced buyers may be more realistic in their initial offer on a reasonably priced business because they realize they run the risk of an owner's negative emotional reaction. But first-time buyers, without a lot of previous experience, don't realize the damage a low-ball offer can create. As a seller it is best to consider all offers and counteroffers with terms that are acceptable, giving the buyer a second chance to be reasonable. An emotional outburst in response to a low-ball offer is counter-productive.

Don't take the due diligence process personally

Emotions really tend to rise in due diligence. At that stage, buyers delve into many more details and ask lots of questions. Many times the responses lead to more questions. At some point, the owner begins to ask himself and his advisors "Why doesn't the buyer believe me? Doesn't he trust me? Why should I trust him?" It's important to realize that a buyer has a lot at risk when evaluating an acquisition. There are really no standard methods of due diligence. Each buyer and their advisors may approach it differently. Some will constantly seem like they are criticizing your business. Others may focus on things you consider trivial. You never know exactly what to expect. The only sure thing is that the due diligence process can drive you crazy, and to some extent, you will feel under attack. It's best to realize that in advance, control your emotions, don't take it personally, and be as cooperative and tolerant of the buyer as you possibly can. A lot of transactions blow up in due diligence. If the seller is mentally prepared for the process, things can go smoothly.

Representations and warranties are not a personal attack on your integrity

The representations and warranties in the final documents can be daunting. Even in situations where the buyer and seller have built a trusting relationship, resolving language

Morgan Vaive, Vice President

Morgan.vaive@zoellnergarten.com

859-957-9657

John W. Zoellner, President

jzoellner@zoellnergarten.com

513-382-3797

NEXT ISSUE

SELLERS DON'T UNDERSTAND BUYERS' MOTIVATIONS

CONTACT US

in the final definitive documents is challenging. It's easy to interpret the standard language in the representations and warranties as a personal attack on your integrity. Do not take it personally. Usually, buyers' advisors are using standard language for business acquisition agreements. If you were buying, your attorney would attempt to include the same language for your protection. That's important to understand. In most cases, the language of the representation and warranties has not been tailored to the situation because the buyer doesn't trust you. However, the buyer does feel he should be entitled to standard protections that other buyers receive in their acquisition agreements. In evaluating the severity of the representations and warranties, ask your attorney which of those protections he would compromise on if he were representing you as the buyer. This is always a difficult area and sellers often have to compromise against their attorney's recommendations for ideal language. Knowing in advance that this area will be contentious should enable you to keep your emotions in check.

Like cats, business sales can have nine lives

Every deal has its ups and downs. It is a rare transaction indeed that occurs without tense moments where the deal appears likely to fail. Business sales, which are typically between first-time sellers and first-time buyers who are pursuing the biggest transaction of their lives, are complex and emotional transactions. Just as a cat has nine lives, so does a business sale. It's important to realize how challenging they are to complete. Never give up on the transaction. Be patient and keep negotiating.



John W. Zoellner

Zoellner, Garten & Co.

Cincinnati, Dayton OH

513-852-2400



James R. Sachs, Sr. Vice President

Morgan Vaive, Vice President

