

# The Leading Edge

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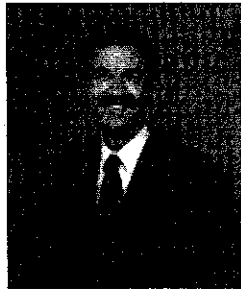
## THE ART OF SELLING A BUSINESS

by Achim Neumann

What is more difficult than building or running a business? Selling it! After years of hard work, selling a business is a daunting task, particularly if one considers that a smart business owner typically knows everything about running a business.

A business transfer is complicated, with the potential of losing substantial value in the process. Two major concerns are consistent in each transfer - fair market value of the business and preservation of confidentiality.

First, fair market value must be determined. Too low an asking price will leave a lot of money on the table. An overstated asking price, however, will chase buyers away and the business remains unsold for an extended period. Various companies offer valuation services, with fees between



\$3,000 and \$7,500 for businesses with \$3-10 million in revenues. A business owner should engage only a national valuation service with the experience of many valuations each year

to secure the most current market trends.

Preservation of confidentiality is more complex, and in most cases, only a qualified business broker (not real estate broker) can resolve the problem. A breach of confidentiality in the marketing process, will result in customers and employees leaving, vendors reducing credit lines, landlords terminating leases and banks requiring prepayment - none of it desirable! Although fees can run between 8% and 15%, a good business broker will ensure confidentiality, has the experience to prepare all marketing materials, and can advise an owner on the best terms and conditions of a sale. Preferably, a business owner selects a national business brokerage firm that can draw nationwide buyers from many different regions.

Selling a business is typically a three part process: the initial preparatory

phase for collection of all relevant data, valuation of the business, preparation of a confidential prospectus and development of a marketing plan. During the second phase, the marketing plan is implemented, including financial pre-qualification of potential buyers, interviewing buyers and discussing specific concerns. In the third phase, an offer to purchase is prepared, terms negotiated, the Due Diligence phase initiated, and a final closing performed. The timeline for selling a business depends on various factors, but generally, a correctly priced business sells between 6 to 12 months.

Most important advice: a business owner should never neglect running the business at peak performance during the sale period. Buyers will detect very fast if a business has been neglected, and will typically shy away.

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