

What It Means To Sell A Business Now

It is important to understand demographics if you want to understand the market for selling a business. The economic climate, while obviously having an impact now, will change sooner or later.

It will be a buyer's market for several years if you want to sell a business. This has more to do with demographics than it does with the current economic environment which will change sooner or later. Baby boomers, as in so many things, dominate as business owners who as they are starting to cash out in growing numbers. Kiplinger estimates that 750,000 Baby Boomers will look to sell by 2009, 15 times as many as in 2001. Most firms will go to strangers...only 15% stay in families more than two generations. Sometimes owners plan to pass the businesses they built to a child, but often the kids aren't interested or may not have enough cash for the owner's retirement nest egg. When asking "How do I sell my business?", business brokers offer a unique perspective as to what buyers look for and how to reach them. Expert advice is a must. Accountants, attorneys, and appraisers can all help spotting problems for tax and estate planning. When it comes to actually finding and talking with potential buyers, a business broker will help you understand the buyer's perspective and work through negotiations with you. The best advice is to plan your exit now to get the best possible price. The price for a business, as it turns out, is primarily a function of the buyer, not the seller. Looking forward, generations after the Baby Boom are smaller, meaning fewer potential buyers. Without planning, owners may have to cut prices or hang on longer than they want to. Many buyers...from competitors to speculators to venture capital firms...have sophisticated experts on their side. Owners need to match that support. Also, a good broker can help you understand if the business is really ready to take to market so that the business valuation achieves your goals. Issues that your broker will review with you include: the quality of your records; customer relationships; product and market diversity; key employees; supplier relationships. This sort of review should be routine for a professional broker who will have codified such reviews in the form of profiling documents and procedures.