

How To Be A Highly Effective Business Broker

Course Module 6 Who Buys Businesses? Frequently Asked Questions & Answers

by Glen Cooper



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For the general “Main Street” small business market, finding that “just right” buyer is a game of playing the ratios, and knowing when/when NOT to follow-up.

A SAD, BUT TRUE, STORY: “I once had a broker join my firm who insisted on re-contacting all of the buyer prospects we had in the file who hadn’t already bought a business. This is when I had a large multi-agent firm.

“He had come from a successful multi-year career in commercial real estate, having just sold his commercial real estate firm the year before. He was certain that re-contacting all of our ‘registered’ buyer prospects – the ones who had signed NDAs and completed our forms - was his ticket to a quick sale. Instead of taking the time to master actually getting business seller engagements, he made calls to buyer prospects his full-time work against my advice.

“After a year of calling and following-up with 1,500 that he thought were especially qualified out of over 3,000 we had in the file (probably over 5,000 phone calls on his part), he gave up and left the business! He DIDN’T GET EVEN ONE SALE from that effort.” –Glen Cooper

Participants: (L-R) Suzanne De Lucia, Dan Pellegrino, Tom Lindahl, Glen Cooper, Jim DeShayes, Paul Chambliss and Rogelio Rodriguez.



Who wants to buy small businesses?

-Individual Buyer Prospects (Typically 90% of the total)

- **Who are they?**
 - 40% local to the area
 - 40% nearby state
 - 20% outside area
- **What do we need to know about them?**
 - Do they have enough **money** for the down payment & working capital required for this purchase?
 - Do they have the needed **sales & management** skills?
 - Is it the **right time** in their life?
 - Are they **decisive**?
- **What do they want?**
 - A job and a return on their investment
 - Relevant information
 - Coaching and professional advice
- **What are the numbers?**
 - Of 500 inquirers (initial contacts from buyer prospects)
 - 250 will register (sign a non-disclosure, complete buyer forms)
 - 125 will respond to follow-up contact
 - 20 will make offers
 - 10 will buy a business
(8% of those who follow-up, 2% of inquirers)

“The key buyer indicators for individual buyers are money and sales skills. It has to be the right time in their lives. They also have to be able to make a decision.

“I also ask them, ‘What did your parents do for a living?’

“I find that the ones who have a family background in small business will have an affinity for this that others don’t. They’ll move ahead when others won’t.

“They understand the process, the value and how to make it work.”

Glen Cooper

Business Broker / Business Coach

Only 2% of Buyers Buy!

Who wants to buy small businesses? (continued)

-Corporate or Investment Group Buyer Prospects

- **Who are they?**
 - Large deal prospects
 - 20% in nearby big city
 - 30% in another nearby metro area
 - 50% from everywhere else
- **What do we need to know about them?**
 - What are their “acquisition criteria?”
 - Ask them for a list of recent acquisitions
- **What do they want?**
 - Something to present to their group (remember, these are “suits”)
 - Must meet minimum size requirements
 - Numbers, numbers and more numbers
 - They want the broker to get out of the way

How does a business broker work with buyer prospects?

-Respond to Initial Inquiry

- Talk first to establish human contact!
- Get them to complete some sort of buyer registration document (NDA)
- Respond to the 50% who complete the document
- Ignore the rest?

-Create Buyer Prospect File

- Make sure you have a signed non-disclosure agreement (NDA)
- Confirm all contact information
- Process any required State or Federal forms
- Have a process (or form) to obtain buyer prospect financial disclosures
- Have a process for obtaining buyer prospect qualifying information

-Schedule an Initial Buyer Prospect Follow-Up

- Interview prospective buyers about their search
- Verify collected information about prospective buyers
- Review business opportunities with them
- Provide more information to them
- Set agenda for future action with this buyer prospect

“The difference between a good buyer and a bad buyer is how quickly they move through the process. If someone is taking a longer time – and they want to analyze this and they want to know that – they’re usually not the right buyer. Most of the buyers like that never buy a business.

“The better buyers are the ones that just fly through the process. They know what they want. They know what they’re going to do. They’re very quick.”

Dan Pellegrino
Business Broker

“A good buyer is a buyer who missed out on the last deal.

“It doesn’t happen often. But, when it does, they jump on new listings right away. You have an engaged buyer.”

Paul Chambliss
Business Broker

**-Showings or Meetings with
Sellers and Buyer Prospects**

- Plan for confidentiality as needed
- Confirm and secure the timing carefully
- Consider the staging and/or environment of the meeting
- Provide appropriate advance information to each party
- Brief self in advance
- Attend and lead the process
- Take notes
- Plan times to debrief all parties afterwards

-Receiving Offers

- Maintain control of the process, but DON'T do all the work
- Learn the legal, financial and customary "ins and outs" of all kinds of offers
- Get the professional help you need to understand every aspect
- Encourage all parties to seek expert advice
- Maintain regular contact with all concerned parties

-Getting to Closing

- Help your client form a team (broker, lawyer, accountant & other)
- Play on the team – stay close to the other pros in the team
- Track the flow of what's happening (contact and punch lists are good)
- Plan ahead for a few serious bumps in the road

Participants:

**Paul Chambliss
Glen Cooper
Suzanne De Lucia
Jim DeShayes
Tom Lindahl
Dan Pellegrino
Rogelio Rodriguez**

"You have it in your numbers there. You come to understand that real buyers have a drive and need. It's an enthusiasm they have. Whether it's with you or someone else, they're going to buy a business.

"I talk to the buyers about making an offer even before meeting with the seller. After a showing of the business, I tell them that I expect an offer - something from them even if it's on the back of a napkin – to take to the seller.

"I don't want to waste my time, my seller's time or the buyer's time. I think my approach puts the responsibility back on them. I want to know if they're ready to make an offer. . .

"It's a mindset. I want them to know that we're just not out here showing the business. We're here to sell it."

Jim DeShayes
Business Broker