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Selling A Business 101



The necessity of confidentiality.

By: Scott Balfour

So you're a business owner and you want to sell your business. You've worked long and hard, and now is the time to reap the benefits of those labors. Well, let's start with the basics. The first thing you should do is put up a "For Sale" sign, tell everyone you come in contact with that you're selling, and place an ad in the paper with a photo and address.

You have just killed your business, or at least damaged it. Here are some of the problems you have just created:

Your employees will be in an uproar. The uncertainty of what's going to happen will be very unsettling to them. They may start looking elsewhere for employment, productivity may drop due to their lack of commitment to future growth of the business, and customer service may start to decline.

Your competition will have a field day. They may start targeting your accounts. Start raising doubts in the minds of your customers as to the future quality of your service or products. They will raise all the service after the sales questions. They will spread rumors, and perhaps even raid your employees.

Your customers on their own will become concerned. Not only about the service after the sales issues, but loyalty disappears. I've heard customers swear the food quality at a restaurant had declined, when in fact there were no changes. Psychological perhaps, but damaging to your business just the same. If you have receivables, payments may

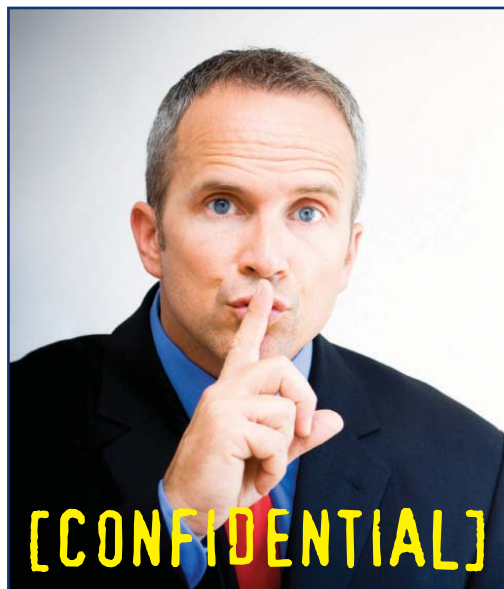
Pricing I've seen this go both ways. I've seen For Sale By Owners (FSBOs) price 2 to 5 times over market. I've also seen them price too low, not knowing how to value the "goodwill" that was established over the life of the business, not knowing what's happening in the marketplace, or how to present the business to a purchaser. I've see some not only selling too low, but just close the doors not knowing there was a viable alternative.

Yes, confidentiality is key in selling a business. That's why Business Brokers ask prospects to sign a confidentiality agreement before they even tell you the name or location of the business. They also market generically. It's not easy to "sell by owner", when the first question a buyer always asks is "what is what is the name of the company?"

In addition to not wanting everyone to know your business is for sale, do you want them to know all the personal and confidential details? Even though they might not even have the resources to buy? I'd think not. Did you know that some of your competitors might be calling for the purpose of industrial espionage?

There is a lot to selling a business, but the **FIRST** step is keeping it confidential. Don't get off on the wrong foot by messing up this first step! Call Magnusson Balfour Commercial & Business Brokers, Maine's leading business broker, for a consultation today.

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come in slower as they are no longer vying to be a preferred customer- expecting to receive the extra service and pricing that is built into good long term relationships. They might consider this a good time to "shop" again. The resulting cash flow problem can be considerable.

Vendors and lenders may start tightening up on credit and be less flexible with terms and rates. They might increase the rate, shorten the term, and decrease the line because they are no longer competing for your future business. Mostly, they are concerned about getting paid on a business that in their mind might be in trouble.