Field-proven results in business sales and acquisitions

10 Mistakes that Sellers Make

1. Not Knowing What the Business Should Sell For

One of the most costly errors a business owner can make is not knowing the realistic price of his or her business prior to entering the selling process. Although the marketplace ultimately determines the final price, an owner needs to know the approximate price to expect prior to placing the business on the market. Before deciding to sell, owners are wise to work with someone qualified to determine the best strategy for pricing their company.

An experienced M&A broker and advisor, investment banker or business broker has the expertise through technical ability and the market experience to produce the most realistic pricing opinion. The professional M&A broker and advisor will also be the best alternative for supporting the top outcome throughout the process of selling the business.

Fair Market Value

Asking Price is what the seller wants (if stating an asking price is the best strategic decision – often it is not).

Selling Price is what the seller gets when their business sale is complete.

Fair Market Value is the result of hypothetical analysis work under objective standards.

Market Determined Value comes from properly managing a professional selling process to its negotiated selling price conclusion. Properly managed this will come from finding the best buyer and motivating them to pay the best price they are willing to pay.

2. Not Preparing the Business For Sale

Determining the starting price point is only the first step. Prior to exposing the business to the marketplace, preparation is necessary. A business is certainly not a house, but the same attention to appearance prior to sale is necessary. Financial and legal affairs should be current. Anything a potential purchaser might want to see should be up-to-date, accurate and available for review. Momentum is very important in business transactions and can make or break a deal. The constant need to develop information for a serious prospect will destroy momentum and with it, possibly, the deal. Demonstrating preparedness places the business in a favorable light and prospective buyers will feel comfortable that everything is in order. Being unprepared can delay a closing, create costly expenditures to play catch-up, and cause prospective purchasers to lose confidence in the deal itself. Too much time almost always works against the deal happening. Experienced deal professionals know that “time kills deals”.

3. Not Being Able to See the Business Through the Eyes of a Buyer

This can be very difficult for any seller. It is only natural to see one’s own business in a most favorable light and overlook the blemishes or problems inherent in any business. Sellers have to approach their business realistically, knowing that a potential buyer will be doing the same. By recognizing the deficiencies of their business, sellers are in a much better position to deal with the concerns of the buyer. In fact, the best way to handle any potential problem areas is to bring them up in the very beginning.

4. Not Really Knowing the Buyer

The better you know the buyer, the smoother the transaction. Knowing the buyers, their motives, interests and backgrounds, better equips a seller to make informed decisions about whether they are the right people to operate the business. When final negotiations begin, knowing the buyers can help nurture their interest and help them recognize the full value of the business. Are their interests the same as yours? If you, as the seller, are financing the deal, do you feel confident that they can make the payments? The more you know about why a buyer wants to buy your business, the better position you are in to know when to be firm in the negotiations and when to be flexible.

5. Trying to Sell the Company to a Wishful Buyer Who Can’t Buy

There are usually many more potential buyers than there are businesses for sale. The question is — how serious are they? A buyer may indicate a great deal of interest but when it gets down to the wire, he or she may back out of the deal. Some buyers want to buy only on their terms and conditions, some may have too many decision-makers to please, and others only want to buy the “perfect” business. Wasting time on those who aren’t serious about purchasing a business takes away valuable time from those buyers who really want to buy. It is no trick to find a buyer to express interest in buying your business and spend time considering it. The trick is finding the best buyer who is motivated and capable of delivering the best outcome for you as a seller.

6. Being Your Own Worst Enemy

Knowing that no one knows their business like they do, many owners make the mistake of believing that makes them capable of being the best person to sell their business. Often, driven by thinking they can save paying fees to specialists, they attempt to act as lawyers, accountants, tax experts, M&A brokers and all rolled up into one person, while giving full focus to running their business too. They then blame others, usually the buyer, when the deal blows up. Borrowing the old saying about attorneys, “The business owner who represents himself has a fool for a client.” It is just penny wise and pound foolish to fail to rely on experts in selling businesses when selling a business. Experienced M&A brokers and advisors will regularly deliver higher value results that more than cover the costs of their own services while also reducing transactional risks, protecting confidentiality, and helping to prevent unnecessary stress and costly distractions to the business and its owner.

7. Not Understanding the Structure of the Deal

Regardless of the size of the deal this could be the scenario: an offer is presented, the seller takes one look at the price, immediately says "no" and refuses to look any further. The price, within reason, is immaterial. The real crux of the deal is how it is structured. Consider the negotiating axiom "You can name the price if I can name the terms." The terms and conditions are critical. A seller may be ecstatic about price only to find that the devil is in the details. An informed advisor will see over the hill and around the corner to avoid pitfalls and drive a deal to it best outcome, in both price and terms.

8. Not Being Able to Walk Away From the Deal

Too many sellers get so involved in trying to put a deal together that they don't see the big picture and may fail to realize why the deal isn't a good one. It is a critical skill in selling a business to discern when it's time to walk away from the deal and go on to the next one. Many sellers don't want to let the deal get away. Since they have invested a lot of time and effort, and probably expenses, it's often difficult to just end it. However, in some cases that's exactly what must be done. If the deal isn't right, and can't be fixed, there is no other choice. It's much better not to do the deal than to do a bad one!

9. Waiting Too Long to Sell

Advisors too often see business owners who have held a winning ticket too long. They have held on until business has passed its prime, or the owner is completely burned-out, or the leadership team has soured. Experts refer to these impacts as part of the dismals D's that can strike to unexpectedly damage or destroy the value of a business – death, disability, decline, divorce, distress, disaster, or departure. The time to sell is while the business is strong and prospering and before exasperation hits. The old adage is that a business owner should begin preparing for an eventual sale of the business the day after it is started.

10. Changing of Heart

The sale is progressing nicely, the buyer is happy and the seller – well - the seller is contemplating life without the business. Suddenly seller remorse can set in. Doubts can be triggered by outsiders' comments or by realizing that their business has been a dominant part of their life for many years. As closing the sale moves toward a reality, the owner may begin to fear a loss of meaning after the business is sold. Who will I be, where will I go, what will I do? These are normal anxieties that sale experts have seen evaporate time and again after the sale occurs as a life of fulfillment beyond business obligations quickly replaces the fears. Because fear and remorse are predictable parts of the sale process, a business owner is well advised to consider these and be sure their objectives and expectations are solid before committing to the sale process.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

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