

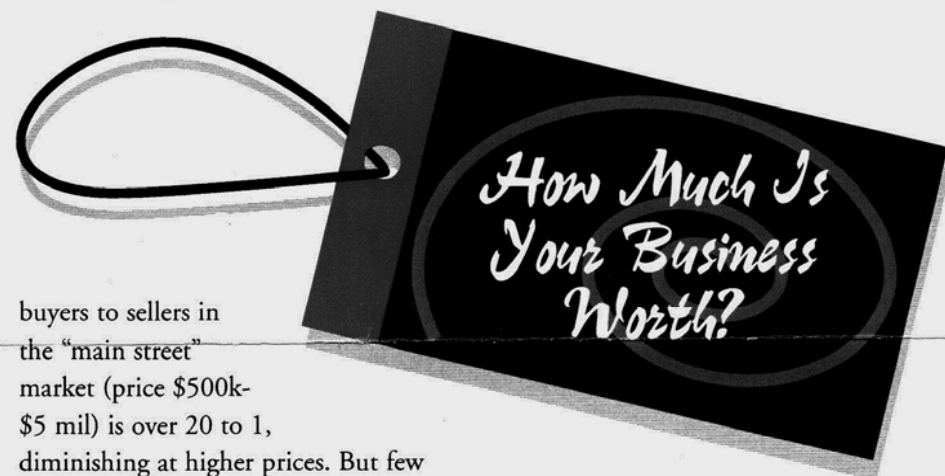
A Selling Game Plan

By Dan Gallagher, MBA, CLU, ChFC, CFP, CBI

Businesses, like products, have life cycles. As market share grows, owners tend to focus on the growth process. As competitors fight hard for their share, percent growth slows but profits are healthier: the "cash cow" stage. Without repeated reinvention of the business and its offerings, the competitive environment plus changes in products and services demanded squeeze profits.

Many Business Owners sell after the decline hits, or when age or adverse personal events force sale – then wonder why they can't get the price they expected. It's like the former college athlete who has a lasting impression of him/herself at age 22, and has a hard time accurately realizing that he/she is now 50 with a paunch and tendonitis. The savvy Business Owner knows that the most advantageous time to sell is probably when things are trending up, because buyers' decisions are influenced by excitement and fear.

Business buyers get intrigued by the prospect of finding undervalued companies, or some sort of strategic match yielding value only they may know. They are usually optimistic visionaries, just like Business Sellers, but they are patient and reject most offerings. According to the International Business Brokers Association (IBBA), the ratio of



buyers to sellers in the "main street" market (price \$500k-\$5 mil) is over 20 to 1, diminishing at higher prices. But few buyers are foolhardy, and even the rare one who is must be treated honorably. So, real value and elimination of problems is key to a successful and just sale:

Offer genuine value: This can include increasing employees' stakes with golden handcuffs so that the buyer will not fear the loss of key talent. Have an independent valuation performed. If you can, convert your handshake relationships to contracts that provide real value to customers and offer better documented and stabilized revenue sources. Have a business plan, complete with a marketing and sales plan – with honest assumptions – available to spark buyer imagination.

Prepare to attract buyers with unblemished value: Use a Human Resources consultant to avoid or minimize labor/employment disputes. Further transfer or diminish the risks of labor and regulatory problems with the help of financial professionals who can prevent or correct retirement fund "top-heaviness" by providing a wide

selection of investment options and broader participation and satisfaction. Do not let your data systems appear antiquated or vulnerable, yet avoid wasting money on cutting edge technology in non-critical systems. Settle vendor and customer disputes.

Beware of letting on that you are selling: "adversaries," employees, and even customers may get the wrong impression, leading to damaging rumors. Sell before you are pressured by age or other factors. Do not kid yourself about your kids' abilities, but consider having an intermediary help with family transfers to avoid alienating anyone yourself.

Keep records up to date and available: Disclose every material fact about the business. Do not plot to effect an unjust transaction, rather plan for an advantageous one. Be flexible on price and owner financing, as this will attract far more buyers. If using a broker, make sure he/she is experienced at starting

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and winning a bidding war without driving peeved buyers away. Keep your emotions in check, and respect others.

Understand that your business is worth to you only what you keep. Do not begrudge the tax man, brokers, lawyers, consultants, or other helpful professionals. Just move forward with your needs, considering what you truly treasure.

The best time to look for "big guns" in legal, consulting/accounting, and brokerage is not when you are ready to sell your business. Assemble, ahead of time, a team whose members have rewarded the trust of other clients, who have clean histories. What is the attorney's rating with Martindale Hubble? Is the accountant in good standing with the American Institute of CPAs? Is the broker respected by the IBBA, and a Commercial Realtor in good standing? Formulate a game plan that will not fumble the ball financially or ethically. Field your team. Ready... break! **V**

Dan Gallagher is president of !Active! Intermediation, Inc., which represents sellers of businesses and commercial realty in transactions up to \$5 million.

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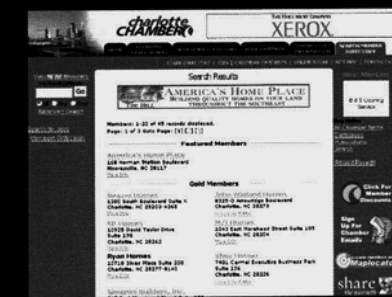
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