



## Educating the Buyer

Not enough can be said about the importance of educating the buyer. Most buyers are first time buyers and know very little about the business buying process. Even those buyers that bought or sold a business in the past may have been involved in a transaction that was not conducted properly. Therefore, it may be a reeducation process for those individuals. A business broker should start the education process during the initial contact and “hold class” at every opportunity all the way through closing. Some things to include in the buyer's education:

- The reason for requiring buyer registration forms and confidentiality agreement
- The general process or steps to buying a business; what your responsibility is in each step and what you expect from the buyer in each step.
- Financial capability to purchase a business and ways to estimate the level of working capital needed.
- There are no perfect businesses. Every business will have some blemishes. The search to find the perfect business will take forever and may not result in business ownership.
- It's OK to say “No” this business is not for me. But, it's important to provide objective feedback that leads to a better definition of the business sought.
- Seller's have big egos and tender hearts. Understand that the seller has poured a lot of heart and soul into the business and no matter how small or the level of success achieved the seller will usually be very proud of the business. The buyer should be polite and sensitive to the seller's feelings.
- Make sure the buyer has a good understanding of the risks, hard work, stress, and headaches involved in small business ownership. (Buyers have been known to get “cold feet” just before closing when reality starts to set in. Save yourself some time and assess the buyer's level of understanding and tendency toward “cold feet” early in the process.)
- Assist the buyer with understanding the role of each advisor, the attorney, accountant, financial planner, business broker, appraiser, and “Uncle Charlie”. Buyers that understand each player's position are less likely to take advice outside of the advisors area of expertise.
- Spend some time on the basics of valuing a business and the logic behind recasting financial information, developing a multiple, and application of the “justification test”.
- And, how a competent business broker can be a valuable part of the process.