



The Importance of Prequalifying the Buyer

Often times, in a Business Brokers' haste to show and sell a business to a buyer, the Buyer Prequalification Step is handled hastily or completely bypassed. Lack of proper qualifying of the buyer, unfortunately often leads to the confirming of "haste makes waste". The Buyer Pre-qualifying or Screening Step is crucial and must be handled appropriately.

Most business buyers are first time buyers and often need the business broker to help guide them through the buying process. In order to effectively guide the buyer, the broker will need to have some basic information about the buyer, i.e. education, past jobs, skill sets, past achievements, likes, dislikes, family or personal obligations, etc. Business brokers should have a standard Buyer Registration or Information Form that all buyers complete. And, the business broker should spend time reviewing the buyer's information and discussing it with the buyer in an effort to get to know and understand the buyer better.

Obtaining financing for business transactions has never been an easy and current economic conditions and lending environment are making it increasingly harder to get transactions funded. Therefore, more effort will be necessary on the business broker's part to understand the buyers' financial capabilities very early in the process. Excessive efforts to get marginal buyers and transactions financed may prove to be extreme time wasters. There's nothing more frustrating, for a business broker, a buyer and seller, then searching for months for just the right business then discovering the buyer doesn't have a "financial chance" of purchasing the business.

For most people, it's only natural to hope for the best and often see the world through "rose colored glasses." Buyers are no different and often have unrealistic expectations of what small business ownership entails or a realistic level of potential success. As part of the buyer pre-qualification process, it is important to manage the buyer's expectations. Or, it may be impossible to find a business to match the buyer's high expectations.

No cliché about time being money, but spending time with unmotivated, unrealistic, unqualified buyers is one of the biggest time wasters. No matter what process is used to qualify or screen a buyer, a business broker should only be spending time with the very serious, highly motivated, realistic, and financially capable business buyers.

The buyer prequalification step is a part of every business purchase process. The key is whether it takes place at the beginning of the process or later after much time, and effort has been wasted. A good business broker will save himself and the buyer time and frustration by spending the necessary time to prequalify the buyer at the beginning of the process.