



Ten Burning Questions Every Buyer Wants Answered

By The BizBuySell Staff

If you are seriously considering selling your business, then you need to be prepared to answer questions from inquiring business buyers. Each business transaction is unique, but there are routine questions and common concerns that nearly every prospective buyer has. Being prepared to answer these questions will give you a leg up on negotiations and close the deal quicker.

1. **Why Are You Selling?**

It's perfectly acceptable to most buyers if you're selling your business because of retirement, relocation or a death in the family. Yet, if your business is in decline or facing some sort of obstacle, you want to present this information as evenhanded as possible. Start by highlighting your business's strengths and future potential, and don't leave out what makes it unique. Once you've shared the truth as to why you're selling your business, a buyer may see its potential as a worthwhile investment. You may even have suggestions as to how the right person may be able to turn it around.

2. **Is The Business A Good Fit?**

This is something the buyer will determine on their own, but you can help them in reaching this decision. You should already have a sense of your ideal buyer. This is someone with the knowledge and skills to operate your business successfully, not just someone with the financial means to make the purchase. If a potential buyer appears to be a good fit for your business, then you should let them know this when they first contact you.

3. **Is the Business Profitable?**

One of the first questions a buyer will ask is whether or not your business is profitable. They will want you to show them the bottom line in your financials, including revenue, cash flow and profit and loss statements. Also, they will want to see a healthy multi-year trend of increasing revenue and a forecast for continued revenue growth. Providing documentation that business is steady and growing will likely make a positive impression.

4. **What Is Its Position in the Market?**

Is your business uniquely positioned in the market? Buyers will be impressed if your business offers products or services that differentiate it from competitors. Smart, forward-thinking prospects will scrutinize your products and operational processes in order to assess your business's ability to retain its position in the market.

5. **Is It Priced Right?**

A smart buyer will ask to see detailed proof that validates the financials you're presenting. Can you prove the

numbers? To ensure that purchasing the business is a solid investment, you must be certain that the revenue and profits can be supported.

6. Is Your Business Staffed with Experienced Employees?

A business staffed with highly skilled, experienced employees can make all the difference to would be buyers. Moreover, key employees under contract who will remain with the business for a set period of time offer stability and continuity to the business after the sale. This is a value-add and further sweetens the deal.

7. Does Your Business Have an Established Customer Base?

An established customer base that will remain with the business after the sale is invaluable to prospective buyers. It further demonstrates that the business is well-established within its market with a loyal group of customers. This is especially true for a business with a limited number of active customers.

8. Can The Business Be Financed?

Very rarely will a buyer offer an all-cash deal and most buyers expect to put down a substantial deposit with the remainder financed. Yet, acquiring the needed financing from lenders can be a challenge. This leaves you, the seller with two options: lower you asking price or work with the buyer to overcome their financial challenges. Seller financing is becoming more and more popular, as sellers realize it not only dramatically increases the pool of buyers, it also allows them to get a better price.

9. Will the Lease Be Assigned?

If the business relies upon its location, the lease can be a critical factor. More than likely, the lease can be assigned to the new owner. But, before putting your business on the market, check the terms of your lease and see if it allows for an assignment. There may be conditions, such as personal guarantees and increased deposits imposed on the seller and the buyer. If the lease cannot be assigned to the new owner, ask the landlord what is required for the new owner to be approved for a new lease.

10. Are Their Hidden Complications?

Expect prospective buyers to ask whether or not you have any skeletons in the closet. They will most likely be uncovered during the due diligence process, so it's best to be upfront with buyers and deal with them early on. These sorts of things may include legal liabilities, sketchy financials, labor relations problems, a history of poor customer service, or any other hazards that affect the sale of the business. If you try to hide them, or put off mentioning them, they will eventually surface and you will likely lose your credibility that you've established with any prospective buyer.

From: http://www.bizbuysell.com/seller_resources/ten-burning-questions-every-buyer-wants-answered/8/

Revised: 12/20/2019