

# The "Right" Price -

## What You Need to Know About Selling your Business



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Has anyone ever asked you if your business is for sale? If so, you probably answered by saying "sure, for the right price". But, have you ever been offered the right price? If you still own your business then I know the answer to this question is "no". What is the "right price", and did you know that **all** businesses are for sale and for the **same** price? In case you haven't figured it out, I'm talking about the "right price" - the magical dollar amount that every business owner is willing to sell for. Unfortunately, this may not always be the price that a buyer is willing to pay.

Even though every business will sell for the right price, it is important that it's a number that works for both parties involved. If the price for your business is a number that you produced on your own, and you are waiting for someone to come along and offer that magic number to you, well, don't worry because it's not going to happen.

But wait, you **are** serious about selling your business **sometime** in the future. Owning your business has given you the experience and knowledge that only a business owner has. You know that achieving a goal requires focus and effort; otherwise that goal will not be reached. You also know that the chances of something good happening by accident are pretty slim. So, if you want to sell your business **sometime**, then there is no deadline for you. This is not really a goal, you are not focused, and it won't happen.

Don't worry though - I will cover some important steps that should be taken if you are interested in selling your business. I have discovered that learning what **not** to do is just as important as learning what **to do** in this situation. Knowing both is a bonus, and I would like this article to serve as an additional benefit to those of you that read it. There are two essential steps to get you started on the right path to selling your business:

**Step One:** Come up with the "right price" in an accurate means. That is, have a professional third party business valuation conducted on your company. This is the only type of valuation number that a potential buyer will consider to be objective and

accurate. Nothing that you have come up with on your own will be considered impartial. If the buyer does happen to agree with the number that you've come up with, then you can bet you're not asking a high enough price. There will be a cost associated with obtaining a third party valuation, but it is the third party's knowledge and impartial judgment that is (often-remove) needed. The price of the service will vary widely based on size of the business and the pricing schedule of the valuation professional that you engage with.

**Step Two:** List your business's price for a little more than the valuation number to allow some room for buyers to negotiate. You can list the business yourself or hire a professional business broker to sell the business for you. As you might imagine, listing the business yourself requires you to directly handle the multitude of activities required to make sure your business sells. The time and money costs associated with owner representation are tangible and quantifiable, yet unpredictable.

Engaging a professional business broker to list and sell the company allows the business owner to generally oversee the selling process and continue to focus 100% on keeping the business on the right track until it is sold. The time and money costs associated with engaging a broker are concrete, quantifiable and predictable. The business owner can expect to pay a retainer fee to the broker at listing and a success fee to the broker at closing. The success fee will be based on a percentage of the selling price and will decrease as a percentage of the selling price as the selling price increases.

*If you have additional questions about selling your business, please contact Eric Warner of KDL Business Group: (847) 991-4310.*