



The Exit Strategies Newsletter

Business Sale Techniques E-Bay versus E-Harmony

Business owners take their business personally. So if you were to look to court a potential partner, would you want the dating service that put you in front of the most prospective matches or would you want the one that got to know you the best and sought to make more of a quality match? These are important questions to ask when you go to sell your business. This newsletter is written to help owners differentiate between two different processes for the sale of your business, we'll call them the e-bay approach versus the e-harmony approach. We hope that this newsletter helps you to see the difference between the two so that you can identify the right type of professional to assist you with your business sale transaction.

Business Selling 101

Before diving into the different techniques for selling your business, it would first be prudent to highlight a few important factors that almost universally apply to business sale transactions.

First, if you are looking for the highest price and the best terms for your business sale, negotiating with only one party is usually the WORST way to achieve your goals. So whichever technique you choose, this rule should be adhered to.

Next, if you are looking for the overall best deal in the marketplace and want to also retain some level of confidentiality, then using a professional intermediary is also a very good idea. The sale of your business is likely the largest financial transaction of your life so why not hire someone who has been through this process many, many times before?

The Wide Net versus the Limited Auction

Once you decide to hire a professional as well as decide to approach multiple parties to bid on your company, the next important step that you should take is to decide the size and number of potential buyers that will be invited to purchase your company.

The Wide Net

One process that is often used to sell businesses is to 'cast a wide net', which simply means to research the global population of potential buyers who can possibly purchase your business and to invite them into the process.

The obvious benefit to this process is that a large number of potential buyers will be contacted, increasing the odds of finding an ideal buyer. In this case, a more vibrant offering process can be created with more bidders. Another large benefit to utilizing this process is that at the end of the process, an owner can feel comfortable that 'the

market has spoken' in terms of the maximum number of potential bidders being contacted and, if done properly, the owner can feel as though they gave the sale process their best chance and drew out the highest and best offers available.

The Limited Auction Process

By contrast, many owners cringe at the thought of their company being cast out to the marketplace for the world to see. These owners' feelings are often supported by industry factors that make for very good reasons not to broadcast that their company is for sale (even if a confidentiality agreement is signed). In many cases these companies either have a very fragile customer base who would seriously question any intention if they learn of the company being for sale. Also, sometimes in smaller industries where the key players all know each other there are only a limited pool of viable potential buyers, again supporting the idea that thousands of potential buyers do not need to be contacted.

The limited auction process allows for a seller to work with their representatives to create a short buyers list, which may contain a dozen to a few dozen potential buyers that will be contacted.

E-Bay versus E-Harmony

These two models can be compared to the e-bay business model versus the e-harmony business model. E-bay lists a product for sale and allows the marketplace to bid up to award the product to the highest bidder.

By contrast, E-Harmony is all about understanding the person who is looking for a mate and working hard to make quality matches that align with what the person is most looking for in a partner.

Which Selling Technique is Best for You?

With both techniques having pros and cons, it is important for any owner to think though which process would work best for you. Every owner would probably want the best of both, the high-touch approach of the e-harmony model combined with the high volume / maximum marketing efforts of the e-bay approach. In reality, however, the professional that you hire to assist with your sale will most likely embrace one of the approaches over another. This newsletter is written to empower you to ask the right questions of these advisors to help you choose the appropriate 'platform' that will assist you with getting the results that you most want to achieve.

Concluding Thoughts

Remember that no one approach is inherently better than the other. Rather, it is most important that you learn about these different issues so that you can choose which selling process will work best for you. Exit planning is about increasing the amount of knowledge and control that you have over your business exit process. We hope that this newsletter assists in helping to accomplish this goal.

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