

YOUR BUSINESS SALES

Pricing Your Business: Why leaving room for negotiation can leave you out of pocket.



How can you contact the right buyer?

As a broker I deal with this issue every day. I've seen it with every business type and size, so when I say this, you can know that I'm speaking only from experience: If you don't price your business correctly it won't sell.

Allow me to illustrate. You're selling your business. Broker A performs a thorough valuation and values your business at \$315,000. Broker B doesn't perform a valuation and tells you they can sell it for \$430,000. You look at these figures, and you remember all the hard work, money, time and effort you've put in and you think to yourself, "The buyers will probably talk me down anyway, but maybe there's someone out there who's willing to pay it." You begin advertising your business at \$430,000.

Meet Jim. Jim is looking for a business type just like your own around \$300,000. Jim is the person who will buy your business; you will not find a more appropriate buyer.

The problem is, that Jim never enquires about your business because it's priced well out of his price range.

Meet Mark. Mark is looking for a business type just like your own around \$400,000. Mark immediately enquires about your business because it's priced exactly within his price range but straight away sees that it is over priced. He does not enquire further because a) he is not looking for a \$315,000 business and b) because he is not comfortable making an offer so far below the asking price. Mark is not at all suited to buying your business, but he, and others like him, are the only people who will enquire because they are the only people that your price is advertising to.

After about four months you decide to drop the price to its valued price of \$315,000 in the hopes to attract Jim again. Will it work? Unfortunately not. If Jim hasn't already bought another business, he'll have just seen the business drop in value by nearly 30% of its originally advertised price and he no longer sees it as a safe purchase.

After about six months, every applicable buyer, including Jim, will have seen your business advertised at least once, and will no longer be interested. The business is now suffering from what is called 'the stale business effect'. So you do what most sellers in your position do; drop the price again to regain interest from the buyer pool.

Does this work? Yes, Jim finally enquires, but not about your

\$315,000 business, a price which he would have happily paid six months ago. Jim enquires about your \$280,000 business that has dropped in value twice; a business that he knows you are desperate to sell. Thanks to the six months on the market, he can safely assume that there are no other interested buyers and as a result, can continue to push you down on the price without any sense of personal urgency.

Business sales is an industry in which one in three good businesses sell. So what puts that 'one' ahead of the other two? The price.

Anything can sell if it's at the right price, and you have to remember that as a business seller, your business is worth more to you than anyone else. You have put in all the hard work, money, time and effort. So when someone tells you they can sell your business for 30% more than it was valued, your instinct will be to choose that price.

When it comes to price, logic must always take the place of instinct. So how can you avoid this outcome? Ask yourself, 'would you pay the price that you are asking for your business?'. Knowing all that you do, if the answer is no, then you can't expect someone else to. If you want to find out more about valuing or selling your business call us on (02) 9817 3331



Finding a business price that stacks up.

Business Of The Month

Wedding Stationary & Gifts Business \$430,000 Profit After Managers Wage



Specialising in a wide variety of invitations and wedding accessories, this business is aimed at a very large market and competes very well with similar businesses in the industry. With continued growth over the years through strong sales, this business was able to achieve sales of approximately \$1.5M last financial year, 25% of which was taken from their well designed and popular online store.

- Fully systemised to give owner freedom
- Successful web store attracting sales 24/7
- Fantastic Lease: \$1100 p/w inc. outgoing
- Full financials available with proven history
- \$1,500,000 T/O last financial year

The business's fantastic location, enthusiastic word of mouth marketing, ample parking, and well structured business approach makes life very easy for its owners and makes way for excellent prospects for further growth this year.

Business Price: \$1,400,000

Coming up to ten years in operation, historically, this business has trended to grow with the population. A new owner could take this business on relatively easily with full training and support offered by the current owners, meaning that though industry knowledge would be a plus, it's not essential.

The sale price includes all fixtures, fittings and everything necessary for the running of the business + stock.

Want To Sell Your Business *FAST* For the Best Possible Price?

For Us, Selling a business is about helping YOU, the Business Owner achieve the best results.

Your Business is your hardest earned asset.

Together, as a team, we will devise the best strategy for achieving the sale with outstanding results.

We believe that our dedicated, Unique and Focussed approach makes us the best in our field, but we'll let you be the judge.

Call Today & see why we are Different.

ACHIEVE THE BEST RESULTS!

(02) 9817 3331



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For All Business Purchase or Sales Enquiries or to Check out our Listings, Contact Us or Visit our Website.

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