

## **SOME HINTS FOR NEW CUSTOMERS/CLIENTS – DO'S & DON'TS**

An article by Tom Roberts, CBI, MBA | Sierra Business Group, Inc. explains what is going on with Business Brokers when they first begin dealing with a new customer – makes a lot of sense...

I speak with many buyers who are frustrated that they can't get some business brokers to return their calls. They assume these brokers must be either unprofessional or don't really want to sell the business. It is unacceptable for brokers not to return calls. However, it is important for buyers to understand business brokers in order to work with them effectively.

Business brokers do want to sell businesses, and generally spend their time with the buyers who they think are most likely to close a sale. Brokers receive many calls every day from buyers who are interested in buying a business, but many of these calls are from people who do not have the resources, experience, or risk profile to actually buy a company. Therefore, brokers spend a lot of their time screening out the "tire kickers" from those who are motivated buyers who are ready to make a decision.

There are things you can do to make sure business brokers treat you as a serious buyer. First, define your criteria so that you know what you are looking for. Some buyers make the mistake of telling a broker that they are "wide open" to anything. This really means they have no idea what they are looking for and want to "kick some tires" on a few businesses in order to narrow it down. Brokers see this as a waste of their time and their client's time. Others make the mistake of inquiring about a business that is not a good fit with their background. Some businesses don't require experience in the industry, but many do. If a buyer is inquiring about a machine shop and doesn't have manufacturing experience, many brokers will see the buyer as a "tire kicker," even if the buyer honestly believes he is serious.

Second, be willing to sign a non disclosure agreement (NDA) and to provide personal financial information. Clients require brokers to get a NDA and financial information prior to sharing the company's confidential information. If the buyer won't disclose financial information, the broker can't tell if the buyer is able to complete the sale. Therefore, it is unlikely that most brokers will provide him with any information. Signing a NDA and providing financial information is the standard process for buying a company and you should be willing to follow it if you are a serious buyer.

Third, be easy to do business with. Some buyers want to spend a lot of time re-negotiating the non disclosure agreement, or want to control the process rather than follow the broker's process. They incorrectly assume that because they are the buyer, they can dictate the process or the agreement. If something is very important to the buyer then he should stick to his request, but if you are too demanding then some brokers may not be as responsive to you. This can be especially true if the broker has other buyers who are easier to work with.

Fourth, show the broker that you are able to make a decision and are ready to make an offer on the right business. Some buyers want to analyze everything and will request too much information before making an offer. The broker may see this as being difficult to work with or being afraid to make an offer. It is important for buyers to get the information they need, but it is also important to require it at the right time. Due diligence is the time when buyers verify the information provided by the company and confirm through the details that there are no red flags. Don't try to do this before making an offer.

If buyers will make the effort to work effectively with brokers, they will stand out among a large group of buyers and get the attention and assistance they need. Brokers will know they can make money by working with these buyers, and brokers will want to show you businesses they represent.