

Reasons Why Some Businesses Don't Sell

- No particular order -

Business Is Overpriced. This is the #1 reason. A Buyer won't buy if he/she feels they are over paying for the business.

Cash Flow too low. A business must be able to pay the Owner for his/her time, give them a return on their cash investment and be able to make the payments for purchasing the business (e.g. even if paying cash – a Buyer would want to get paid back for the money they are putting into the business with some sort of interest.

Information. Buyers expect to get detailed information about a business so they can determine if the business is a proper fit for them. Not getting this info or getting insufficient information makes the Buyer feel as though the Seller might be hiding something. Not getting financial information even if the Buyer is buying the business for its potential will usually kill the deal.

Undesirable concept. If you try to sell a business concept that no-one wants to buy – it will take a long time to find that “needle – in – the haystack”.

No Owner Financing. Without offering Owner Financing you reduce the chance of selling quickly and possibly not selling at all. Talk to your Broker – he/she will tell you why.

Flexibility. Seller acts like or actually isn't flexible. This is turn off and usually results in the Buyer walking away.

Friendliness. Seller doesn't spend time with the Buyer after the Offer (LOI) is signed. Many Buyers won't buy until they get a comfort level with the business – and the Seller. If this level of trust isn't established early then any wrinkle (problem) that comes up becomes a big deal and much harder to negotiate.

Location. A poor location sooner or later becomes apparent to a Buyer and when it does they walk away.

Lease/Landlord. A one sided lease or one without sufficient time remaining for the buyer to amortize the investment will make selling a business difficult or impossible.

Lawyers. A lawyer (on either side) that thinks he/she is representing **General Motors** will usually kill a deal. Find a lawyer that is known as a “deal maker” – not a “deal breaker”. Some business brokers won't recommend that their client sign an Offer if the Buyer is represented by a known “deal breaker”. Also do not use a lawyer who doesn't regularly do business sales – even on small transactions. If another lawyer in their office who does have experience will work with him/her – then OK.

Accountants. If a Buyer's accountant will not help their client adjust the tax returns (e.g. remove Owner Perks) or go to the business and look at what's really going on then that Buyer will not be able to complete their Books & Records examination and the deal will die. The Seller's accountant usually won't discuss these adjustments because they aren't supposed to allow their client to take them (if they know) in the first place. Problems can occur if the Buyer isn't versed in these issues – expect the deal to die!

As you can see there are many roadblocks in almost any deal – When the Seller & Buyer build a good relationship – many of these obstacles can be overcome.

Finally – sometimes a business has nothing to sell. There might not be sufficient Cash Flow – there might not be potential – maybe no demand for the product or service being sold – poor location – bad lease etc. – in this case maybe the doors should be closed and you shouldn't waste time, money and effort in trying to sell something that nobody will want to buy.