Decision Associates
Business Consulting Group

1540 East Lake Road
Suite 100
Erie, PA 16511
814.528.9400
DecisionAssociates.net

Part II: What do Potential Buyers Really Want from Your Business?

By B.J. Lechner

(from October 2017 Decision Point Newsletter)

Profits, a diversified customer base, and a proprietary product or intellectual property are all important in attracting the interest of a serious buyer in your business, as I discussed in Part I in our last newsletter. (Refresh your memory with Part I by looking at our website at www.DecisionAssociates.net) But serious buyers will also take an in-depth look at your employees and facilities before deciding whether to make an offer. Here's what they'll be looking for:

1. A strong and deep management team

Buyers want a team in place that is motivated to support and grow the company under new ownership. A management team showing signs of stagnancy, particularly in terms of sales and profit margins, can make your business much less attractive to a potential buyer. After all, the new owner will want to grow the company substantially in order to justify the purchase price and debt. The team in place will need to set goals of growing 15 percent (or more) year-over-year, for at least five years.

The use of the word "team" is important here. Buyers might shy away if they are concerned you are the only point of contact with customers and vendors, or if they believe you are the one person that maintains all technical and process knowledge.

That being said, it's often the case, especially in small- and mid-size companies, where the owner is, in fact, the only expert on the company's processes or the face of the business to customers. To overcome that hurdle, consider agreeing to stay on during the transition to share knowledge and foster important relationships.

2. A sales and marketing team

A new owner will not want to create a sales and marketing team from scratch or divert resources from other businesses to do so. Either of those options will cost the new owner in time and money, while creating an opportunity for the competition to move ahead.

By having a sales and marketing team in place at the time of the sale, customers are more likely to have a relationship with the company, not just the current owner. Those relationships will make customers less flight-prone during a sale.

3. An up-to-date facility, equipment and technology

This might seem self-explanatory, but all too often we've seen sales slip away because the infrastructure doesn't exist or is in poor condition. Some common issues we see include buildings that haven't been properly maintained; equipment that is outdated; and technology that is obsolete.

The same is true about the processes and systems used by a business. A buyer will look closely at whether processes and systems are up-to-date, fully implemented and integrated, are actively used and contain accurate data.

Building and implementing infrastructure is not something a new owner wants to take on along with the normal challenges and cultural disruptions of a new ownership. No one wants to buy a business today then have to deal with instability in the infrastructure tomorrow.

4. An environmentally sound site
This is another point that seems self-explanatory. But it's also another issue we've seen come up repeatedly in our decades of experience. A site that isn't environmentally sound will kill any potential deal, no ifs, ands or buts. Make sure your business meets or exceeds all environmental rules and regulations before considering a sale.

Strategically thinking through each of the items, all of which will inevitably be addressed by a potential buyer, will not only turn a potential sale into a real one, but maximize the value of your business.

If you would like more information, please contact B.J. at BJLechner@DecisionAssociates.net or call him at 814-528-9400.