

Getting Down to Business- Making an Offer and Negotiating

Once you've finally found a business you're interested in, you might think the hard part is over, but there's still quite a bit of work to be done. Now it's time to make an offer and let the negotiations begin!

To get things started, you'll have to make an offer. This might seem uncomfortable for you, since at this point, you might not have all of the information you need to actually buy this business. But a letter of intent, in which you set out a proposed price, or a formal offer lets the seller know that you're serious about moving forward. Remember, the seller's asking price is basically a starting point. Since you don't have all the information you need, make an offer you're comfortable with. Use the asking price as a guideline, do your homework, and make a reasonable offer that won't insult the buyer to the point they refuse further negotiations.

You can work with your attorney or broker to submit a letter or intent, or use a standard offer-to-purchase form. Either way, make certain that you have the right to rescind your offer at your discretion after the due diligence process is completed if you determine that the business was misrepresented. Don't agree to any clause that restricts you in any way on this point. You should never make any kind of financial commitment whatsoever before you've had the opportunity to investigate a company's financial records.

When a seller receives your offer, the negotiations will begin. Both parties will have to consider a variety of factors from the speed and smoothness of the transaction to actual valuation to reach an agreement on a price. Sellers are generally looking for a price close to what they've asked for, with as few complications as possible. Buyers want a good deal with favorable terms.

For many people, the thought of negotiating creates a tremendous amount of anxiety. But this doesn't have to be a laborious process. If you remember to keep your emotions in check and approach this process with a little preparation and an open mind, it can be incredibly productive.

To negotiate a fair purchase price, you'll have to come to an agreement on what the business is worth, both today and in the future. You've probably both had professional valuations, which give you a good place to start. However, there are other intangible factors that can contribute to the price of a business. You can read about them in BizTrader.com's article [BUSINESS VALUATION AND OTHER FACTORS](#), but some of them include the seller's reason and time frame for selling the business; the ease in which the transaction and transition will be conducted; the current state of the economy and industry trends; your reasons for buying the business; assets included in the sale; and the price of similar businesses that have sold in your area.

Each party will have to determine for themselves what is most important to them in these negotiations. List the key conditions or terms that you're willing to negotiate on and the points to which you'll hold hard and fast. With any luck, you'll be willing to compromise on the seller's issues and vice versa. Of course, you'll each have a bottom line—the most you can afford to pay, and the least the seller is willing to accept. But every other point should allow for a little negotiating room. In the spirit of good faith, counter every demand you make with a concession to the seller's demands, and you'll probably keep negotiations on track.

While your lawyer and CPA are there to advise you, they probably won't have the necessary skills to complete negotiations for you. A lawyer's primary role is to protect you from potential liabilities and bad decisions, while a CPA will offer advice on financial matters and tax issues. Their input should certainly influence your decision, but ultimately, you're responsible for your negotiations.

It can seem like a very intimidating process, but negotiating is well worth it in the end. Remember, you're trying to put together a good deal, and if you and the seller can hammer out mutually agreeable terms, you'll both win. Be patient and work together through the problems and issues that arise. Keep your priorities in check and remember, like any relationship, you'll only get what you want with a little give and take.