

Qualifying the Best Buyers for Your Business Sale

So you've put your business on the market, and you've definitely generated some interest?but now what?

It's important to remember that the majority of people who express interest in your business probably aren't serious about buying it. People look at businesses for a wide variety of reasons?some are simply curious; some like to imagine themselves as "players" in that world. There are even certain kinds of buyers who can be detrimental if they get their hands on your company's sensitive material: those who are scoping out the competition or looking for a business in trouble in order to get it at a good price.

With so many potential time-wasters, how do you know a legitimate buyer from a poser? There are three main types of business purchasers: the individual, the group of investment buyers, and the corporation. You can learn more about each of these buyers' strengths, weaknesses, and goals in BizTrader.com's article WHO WILL BUY. At some point in the process, serious business buyers will perform due diligence on your company. But first, responsible sellers will perform a little due diligence on potential buyers.

The number one qualifying criteria for a potential buyer is simple: do they have the money to buy your business? Don't be shy about finding out?and finding out where that money is coming from. A sincere buyer will have already investigated their own financial situation as well as potential financing options. Ask them about their plans for paying for your business. Make sure to request documentation such as credit reports, financial statements, and bank references. This might feel awkward, but you're conducting a business transaction, not prying into someone's personal life. And remember, they'll be asking their own questions about you soon enough.

Other potential factors to consider when assessing your buyer's qualifications include their experience. Will they be capable of running your business? This is particularly important if you're offering seller financing. You may also want to know why the buyer is interested in your business, and what their future plans include.

A strong buyer won't hesitate to show you that they can afford your business and will also be willing to reveal future plans. The best prospects may already own a business, or may have some kind of expertise in your field.

And as with every step in this process, if you feel uneasy about a potential buyer at any time, trust your instincts. It's better to dismiss them now than to find yourself embroiled in a problem later in the process.