

The Buyer Phenomenon

Louis Bruwer

We always tell our sellers to understand it take 6 months on average to sell a business. We always tell our sellers to not be confused by an initial surge of buyers that then dwindle. We tell them not to be of the opinion that they have priced the business wrong, are to lenient or doing anything wrong in the beginning because things are not going to be the same as this. This is just the Buyer Phenomenon and that they must understand it. Mostly they don't believe us as instinct defies logic. The worst thing we can do to a seller is have an offer on his desk in 24 hours. Sellers forget that it most likely is a specific buyer we have worked on for six months to buy his business. They play hardball, and loose that buyer, and six months later are still struggling to find a buyer.

"The worst thing I can do to a seller is have an offer on his desk in 24 hours!"

So what is this Buyers Phenomenon then ? At any given point in time we have a finite group of buyers in the market. The 3,000 buyers we have are looking at the 1,100 business we have.



buy a business it must be in the PRICE RANGE, it must be the right BUSINESS TYPE and then we need to get those two to MATCH. The buyer might have the money, like your business type, but feel you ask to much, don't like the mall, don't like the clients, don't like the product type or can't find financing for you specific business. Once matched, the tough part starts, the negotiation to come to a specific acceptable deal between buyer and seller and a seller playing hardball because of a misconception is a deal doomed.

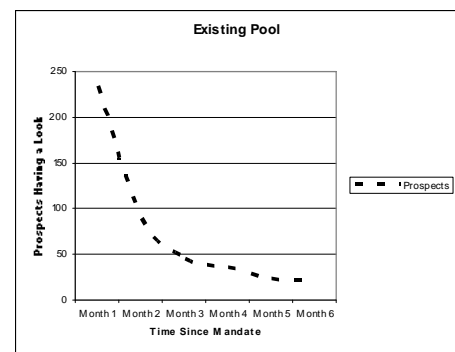
Of the existing 3000 buyers that see your new business advertised, a percentage will have it in their price range. More people can afford cheaper businesses but that doesn't mean more people will buy it as people with more money will trade up to a bigger business. It does however mean that more people are available with funds in your Price Range if you have a cheaper business. Of these people a certain percentage will be interested in your type of business. Not all would want a restaurant even if they can afford in and it is the biggest business that their money can buy. So having the right TYPE OF BUSINESS matched in a PRICE RANGE is important. During the next phase of the process, the buyers, after reviewing all the relevant information and understanding your business may be a match or not for various reason. At best you will find a 40% match out of the people that made it to here. So what does all this mean?

Firstly let's understand what is going to happen. Of the 3000 buyers that see your new business advertised, we will see a phased approached in 6 months as they have a look at it. Not all 3000 actively shop daily; they have other stuff occupying them.

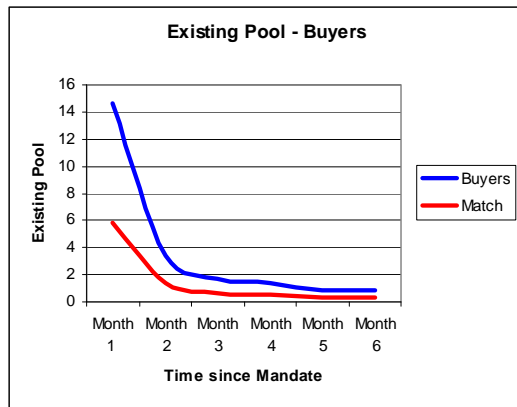
| Existing | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 |
|-----------|---------|---------|---------|---------|---------|---------|
| Prospects | 234 | 90 | 45 | 36 | 23 | 23 |

Now let's estimate 15% will have it in their price range. These people will look at your business when they see it advertised and marketed by us to them. They are our existing clients and already in the market to buy, some for a while. This excludes all new people thinking and dreaming about their own business. So you get the benefit of dealing with a top brokerage like us straight away.

Now let's assume of those 25% like your type of business. So in essence you have a bunch of prospective buyers with the money or means to get the money and the appetite for your business basically immediately. The sudden wave of initial buyers has drowned many an entrepreneur trying to sell their business. This phenomenon creates the illusion that there are hundreds of buyers waiting out there for this



great business and that they are fighting over it. BEWARE! This is not the case at all, despite your experience at this point. You are just experiencing the wave of the business buyer phenomenon.

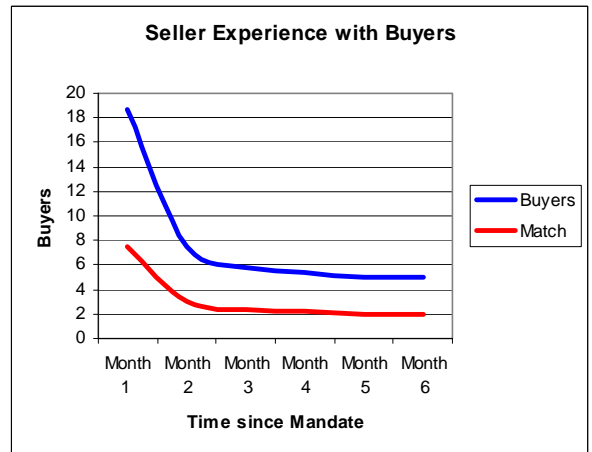


The truth is that unless we have new buyers coming in all the time because of our efforts as broker your business will not sell at all after a while. This is because it will be old news soon and if you then reduce price or terms buyers will think something is wrong with the business or you are desperate which will put you under pressure either way. Please do not ask us to market the business for a price first to see what we get, then reduce the price after a month or two. This will cost you dearly.

or change their mind. We have about 2,100 new prospects in a month considering buying a business. Of these 10%, 210 will enter the pool of existing buyers. More importantly for you is that these buyers will see your business as new, which it is to them. Using the same process of elimination in terms of price, match to type and then the other criteria you will have a constant stream of potential buyers trickling in. But you will not get the same initial wave ever again.

Now let's see the impact of new buyers joining the pool. The pool of buyers changes all the time. People buy businesses, find another job, leave town, emigrate

Understand what will happen then and why you will experience the Buyer Phenomenon. You will have an initial surge of buyers, not because your business is so high in demand that this is the way things will be. You are experiencing the tidal wave of 3000 buyers getting a look at you business. This wave can drown any possible sale because of your reaction to it. Do not think "I can quibble about the smallest thing, plenty more where this buyer came from!" There isn't, you miss the initial wave you will have to do with the trickle of buyers entering the market. Do not get second thoughts about price, terms and any possible thing out there. This is not going to be your experience going forward; it is not going to be like this at all! A bird in hand is always better than 10 in the bush, except in this case it is 10 in the bush over months.



So let's value your business properly. Let's agree on a price, marketing plan and strategy that is appropriate. Don't get swept away by the Buyers Phenomenon Wave, understand what is happening. After all you chose to select a professional business broker to guide you through this. You are the expert at your business. Our business is selling yours.

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