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The place to go to buy or sell a business

Contributed by Sunbelt Business Brokers

Contact: Erik Twohig, Sales Representative,
erik.twohig@sunbeltnetwork.com

Why does confidentiality matter when buying or selling a business?

Many business sellers, and potential buyers, want that big sign that says 'I am for sale' to be the first thing they see. Sellers believe that this is the way to attract their buyer. Buyers want to know 'what' they are buying before they either provide information, or spend any time investigating.

The reality is, that kind of public disclosure can harm the business, and in some cases, destroy the business. True, there are businesses where public knowledge that it is 'for sale' may not matter. Here are some real examples, however, where this is not the case:

- Your landlord may prefer to have someone else in your spot, or has another tenant who wants to move, or knows they can't easily increase their income in that spot with your kind of business. Advance notice of the business for sale can allow them to pursue other alternatives.
- Your employees may become fearful and leave. Worse they can take customers with them, or they can instill fear in your customers who then find another place to purchase your goods and services.
- You start to have people stop you in your work to ask about buying the business. Your time, needed to keep the business running and profitable, is now filled with sharing confidential information, or just 'chatting' with tirekickers and curiosity seekers.
- Your suppliers are worried you might actually be in trouble and are closing, or that the buyer might not be as good as you are, so they look for new customers to carry your lines.
- Your competitors smell blood and opportunity and start to poach customers or pick up lines that had been closed to them.
- You get an 'offer' that is too good to be true. Of course it wasn't really an offer and doesn't actually get to a sale, but you now have a belief that that is what the value is, and you turn away real offers.

Buyer should care about confidentiality for exactly the same reasons as sellers. If the business is harmed during the sales process by a lack of confidentiality, it hurts what they might buy. Even if they don't buy this business, protecting the confidentiality is a good thing, because 'passing it forward' protects another business they might be investigating.

If a buyer is not prepared to demonstrate that they understand and will protect confidentiality – and – that they can afford your business, they really don't have the right to any information about it, including knowing what business it is.

WANT TO LEARN MORE? The London office of Sunbelt offers a free program called Buyer 101. In that 2 hour seminar we discuss only 4 key issues that are critical to a potential business Buyer – Importance of Confidentiality; How to Determine Value; Financing a Purchase, and; the Offer and Due Diligence process. These same elements are critical to – and the same for – business Sellers! Email us, or call 519-473-2227 to register for the next course!