



## Viewpoints

Columns by Chuck Carey

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### Why You Don't Need a Broker To Sell Your Business

By Chuck Carey  
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#### Why You Don't Need a Broker

Most of the process of selling a business and or property is just plain common sense. Like going to Home Depot. You can save a lot of money if you can do it yourself. But then there's those wickedly counter-intuitive moments ...

Jones wants to sell and Smith hears about it. Jones takes Smith on a tour of the building and the business. Smith likes it so he asks Jones for his books. Jones asks his lawyer if he should give up the books and the lawyer advises him to "get an offer first". Smith says "how do I know how much to offer if I don't know how much it makes?".

Smith thinks to himself "Good Point". But he says: "But it's worth the price with or without the figures." Jones gives Smith a polite smile but that the last he ever sees of him.

Enter Kilroy, friend of Smith. He calls Jones and asks him the price. Jones tells him he is waiting for his accountant to advise him on the price. Kilroy says he wants to see the operation in the meantime and Jones shows him thru. The manager who has been with Jones for 18 years sees them. He has been told Kilroy is a college buddy but he can see that's not true. He secretly starts looking for another job with the competition.

Jones pays \$500 to a Texas company he found on the internet to value his business. After the check clears they tell him that the business is worth \$6 M. The gross income is \$600,000 and the net on paper is \$50,000. His accountant is excellent at tax matters. Jones assumes that since the Texas company sent him a three inch thick bound report with color charts and graphs the value must be accurate. Besides, he likes the sound of \$ 6 M.

Kilroy gets the books and hears the price. Jones calls to say he will hold the business for him while he decides. Kilroy is too polite to say the price is ridiculous. He just says OK. Jones waits a month to call Kilroy cause he doesn't want to seem anxious. Kilroy doesn't take his call because he's embarrassed. Two months later the manager quits.

So now Jones has to open the doors and man the phone from 9 to 5 every day while he interviews for a new manager for a business he doesn't really want to run anymore.

He calls his friend the residential broker with the big company. The broker reviews the books. He has never done this before but he doesn't tell Jones that. He had new cards made last week that say "commercial division" because residential sales slowed down. He heard once that a business is worth three times gross minus the inventory divided by two. So he comes out to \$1.9 M. Jones now realizes that he can't retire to the Cayman Islands after all but gives him the listing anyway. They advertise it in the Sunday paper with a picture. Someone reads it and asks one of the employees how much the business costs. The employees meet in the lunchroom to discuss the business being for sale.

Meanwhile, the broker brings Levy through during business hours. A delivery truck pulls up while the broker is showing the loading dock. The driver is a friend of Levy. They exchange hellos. The driver mentions the well known business being for sale at each of the 59 other accounts on his weekly itinerary.

Levy wants to make an offer thinking he can use his 5 % down VA loan to get the money. That sounds great to the broker so he writes it up. The price is pretty good so Jones accepts after a mild counter. Levy calls the bank that runs the big ads. They don't do VA loans on Businesses or Commercial Property. Crash.

This could go on and on because the truth is that only 2 out of 5 business ever sell. No business sells by accident, and no business sells without certain elements being present in the preparation, marketing and finalization. We mean nothing personal against any of the amateurs that are getting paid for on the job training by unknowing sellers. We just think your biggest asset deserves a professional.