

## Step 6 CLOSING THE SALE

Buyer		You
<b>Exit point</b> (Better alternatives Elsewhere)	\$100k +	
<b>Buyer Resistance</b>	\$100k	<b>Your Asking Price</b>
	\$95k	
<b>Buyer's Realistic Price</b>	\$90k	
	\$85k	
<b>Buyer's Offer</b>	\$80k	
	\$75k	<b>Your Resistance</b>
	\$70k	<b>Exit Point</b> (Alternative to selling your business)

In the diagram you will note that at a certain point the buyer will choose an exit, or a find a 'better alternative elsewhere'. He or she will try to drive you as close as possible to your exit point – or 'alternative to selling your business', to achieve the sale.

The buyer's offer will come either below your exit point or between your asking price and your exit point. In both instances your objective is the same: to move the price above your exit point and as close to the asking price as possible.

Not surprisingly, the price is the number one issue in negotiation and unfortunately both you and the buyer want the same thing; to get the best price possible. This position will often result in the two parties starting negotiations at the opposite sides of a very large field, and meeting in the middle isn't always an easy process. Don't take it personally when a buyer makes an offer below your exit point. Even if you can't help but take offense, don't show it. A buyer making a low offer is no different to you asking a high price. It is simply a starting

point and is usually a perfectly reasonable step in the process.

You should assume that the offer is an entry point and that the buyer is probably prepared to increase it to his or her 'Realistic Price' or just below the "Better Alternative Elsewhere" price, if you provide enough reasons to do so.

One way to do this is to negotiate facts. A good way to start is to ask the buyer how the price was arrived at and why the offer isn't higher (Note: This is a confronting question and should be handled accordingly). Then carefully analyse the answer to find any miscalculations, and point them out. If you have priced your business well, it will be very hard for the buyer to show you why he or she should pay less and it will be very easy for you to show, just by using the same reasoning methods you used when pricing the business, why the price should be increased.

Another way to encourage the buyer to increase the offer is by trading concessions. During periods when the economy is weaker and buyer confidence lower, you may find that managing concessions becomes a more common tactic in the negotiations process.

As mentioned, the most important point in negotiating the sale is the price. However, there are other issues either party could be concerned about. Your job is to identify those issues and see if you can get the buyer to agree to increase the offer if the issues are dealt with.

Some issues may be:

- **Handover training time**
- **Timing of the settlement**
- **Taking over some of your leases**
- **Taking over some of your liabilities**
- **Other issues you pick up during your discussions**

Now let's look at the specifics of negotiations.