



# **SPECIAL REPORT**

**“7 Important Questions**

**To Ask**

**Before You Engage A**

**Business Broker”**

**Gary Lay**

**Senior Business Broker/**

**Licensed Estate Agent**

**Wollermann and Associates**

**Email: [gary@wollermann.com.au](mailto:gary@wollermann.com.au)**

**Web: [www.wollermann.com.au](http://www.wollermann.com.au)**

**Mobile: 0407 526 431**

**Ph: (03) 9888 6499**

**Fax: (03) 9888 4040**

## **Introduction**

I am passionate about business broking. In fact, I've been a business broker for over 10 years.

To me, it's the best profession going around.

We get to work with thousands of business owners and buyers, helping them achieve their professional, financial and lifestyle goals. It's also immensely challenging and wonderfully satisfying.

As a Professional Business Broker, I work extremely hard for my clients. My role is more akin to a dedicated and committed business partner, working by your side to help you achieve the very best possible outcome.

Appointing the broker who's going to be right for you is critical to the successful sale of your business.

So here's a list of useful questions you might ask your prospective business broker before engaging them to sell your business.

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### **1. Is the Business Broker actually a publishing company making money from Glossy Business Sale Magazine advertising?**

Many an unsuspecting business owners have lost thousands of dollars through this type of activity.

There is a small group of clever direct marketing publishing companies around the country who offer to sell your business. These aggressive marketing businesses typically have their head offices located outside of Victoria, with 1300 or 1800 phone numbers.

They make most of their money from large upfront fees \$5,000 to \$10,000 to place advertisements in their glossy business sales magazines. Be very wary of any company that says this is the best way to sell your business.

Genuine business brokers do not sell advertising space in "Business for Sale Magazines" nor are they publishers.

Whilst you will be expected to cover the cost of print advertising, this is generally not more than newspaper classifieds in 9 out of 10 cases.

Fees should predominantly be based on the Successful Sale of your business.

**2. Can I see an example of a business profile and information memorandum?**

A critical business sales tool is the Business Profile and Information Memorandum. This document should contain sufficient information and detail for the buyer to enter into a Heads of Agreement to buy your business.

Professional Business Brokers take considerable time and effort to produce a powerful and effective sales document.

You should ask your business broker to see examples of previous Business Profiles so you get a feel of the quality and standard of the document that will represent your business to the market.

**3. Does the business have a website?**

I know anyone can develop a website, however, it can be very enlightening what, or more importantly, what is not presented.

For example:

**a. Does the website display their brokers and business background?**

It is important to know the people you are going to be working with. Check the company's website to review the brokers and their relevant business background.

**b. Is the owner of the Business Broking business easily accessible?**

Does the website indicate who owns the business and how to contact the owner?

Does the website give you access to his or her mobile phone in the event you are not satisfied with the level of service you receive?

**4. Is the business licensed to operate in Victoria, Tasmania, NSW and Queensland?**

A Business Broking Company selling businesses in Victoria is required to hold a current Victoria Real Estate Agent's License and have a licensed Officer in Effective Control.

This is a legal requirement under the Estate Agent's Act.

If in doubt, search for the Company's current license here:

**<https://online.justice.vic.gov.au/cav/bla-search-criteria?mode=E>**

Further inquiries can be directed to the Business Licensing Authority on 1300 135 452

**5. Do you REALLY have the HOT buyer ready to purchase my business?**

You may hear from time to time that someone has a Red Hot buyer itching to buy your business. There is a strategy sometimes used to encourage you to quickly list your business for sale with a particular agent.

More often than not, the "Red Hot Buyer" evaporates about the time the ink dries on the paperwork you have signed engaging the broker.

Naturally, no business owner wants to miss out on a lucrative sale of his business ... but my advice:

- is to make haste slowly
- don't be rushed into a decision
- do your research
- ask probing questions about the "buyer".

**6. Why would an overseas buyer pay more for my business than a local purchaser?**

You may hear or see advertisements about cached up overseas buyers ready to pay top dollar for your business so they can move to Australia under the Commonwealth Government's Business Skills Migration Scheme.

Mmm . . . let's take a step back for a minute.

Buyers of businesses are always looking for ways to reduce or mitigate their risk. The easiest and most effective method is through the price paid for the business.

So, who would have the greater risk?:

- a. A local buyer who knows the language, the marketplace, the culture and the regulatory system; or
- b. An overseas buyer who has no knowledge of the local market, very little understanding of Australian culture, maybe only a basic grasp of the language, and little knowledge of the laws and regulations to the country.

Clearly, the overseas buyer has the greater risk and financial exposure. They will have significant extra costs including moving themselves and their family to another country. They will be looking for a significant return on their investment.

If you were looking to invest in, say, China, would you do everything in your power to spend as little as possible in order to manage your financial exposure? Of course you would.

That's not to say that there aren't many international buyers looking to move into the country through the purchase of a business.

But don't be romanced into believing that you will be able to achieve a higher than average result in the overseas market.

They are tough negotiators and will only pay what they believe represents reasonable risk/reward value.

#### **7. Is your Business Broker an employee or independent contractor?**

The use of independent contractors has become commonplace in many industries - often, for very good reasons.

However, for business broking it is problematic.

Business broking is governed by the Estate Agents Act 1980, which requires business brokers to be employees of the Principal Company (unless they are licensed estate agents in their own right). The legislation also requires that brokers be provided with a written Authority to Act as an employee by the Officer in Effective Control of the Principal Company.

Recent times have seen an increase in independent contracting in business broking.

This raises two issues:

- a. Whether an independent contractor has any legal authority to act as a representative to sell your business? The legislation is clear on this. And;
- b. If a broker is not authorised to act under the legislation, it is highly questionable that you or your company will have the comfort and protection of any Professional Indemnity insurance.

These are serious matters that you should pay close attention to.

For more information contact Consumer Affairs Victoria on 1300 55 81 81.

## **Here's how Wollermann and Associates Answers These Questions**

### **1. Is the Business Broker actually a publishing company making money from Glossy Business Sale Magazine advertising?**

Wollermann and Associates is a full service Business Broking House, and have no affiliation with publishing houses.

We work closely with you from day one right through to settlement to ensure that the sale of your business is as smooth and stress free as possible.

We do not charge large up-front fees for glossy advertising. In fact, any advertising required is only charged once the cost has been incurred. We do not make any money out of advertising.

As a genuine business broker we use a combination of marketing and advertising, including:

- Local newspapers;
- Direct mail targeted at specific buyers;
- Multiple websites
- Email including wide broadcast, and
- Direct telephone canvassing

**2. Can I see an example of a business profile and information memorandum?**

We pride ourselves on the quality and presentation of our Business Profiles and Information Memorandums. Your Wollermann's representative will gladly show you previous examples of profiles.

**3. Does the business have a website?**

Yes. It can be found at [www.wollermann.com.au](http://www.wollermann.com.au).

You will find a comprehensive list of our services, all the businesses we currently represent as well as details of all our staff and their contact details.

**4. Is the business licensed to operate in Victoria, Tasmania, NSW and Queensland?**

Yes.

Wollermann and Associates is the trading name of I.L.Wollermann Pty Ltd ACN 005 645 134, a licensed estate agent registered with the Business Licensing Authority, License No. 036256L.

The Officer in Effective Control is Ian L. Wollermann, who is a licensed estate agent. License No. 035279L

**5. Do you REALLY have the HOT buyer ready to purchase my business?**

We do not use the HOT BUYER ploy to tout for business.

Frequently we have several buyers for the same business, and with only one successful buyer, others are left disappointed. In these case we do directly market (via mail) to similar businesses inviting expressions of interest.

Once an expression of interest is received we take the business owner through our standard qualifying and assessment process before inviting the owner to engage Wollermanns to sell their business.

**6. Why would an overseas buyer pay more for my business than a local purchaser?**

Wollermanns maintains an office in Shanghai, China, to attract and assist Chinese business people to invest in

Australia. We understand that overseas investors are tough negotiators. We also know that price is just one motivator.

Wollermanns are skilled at creatively structuring deals to satisfy the needs of all parties.

**7. Is your Business Broker an employee or independent contractor?**

Wollermanns is fully compliant with the Estate Agents Act. All our business brokers (except one) are employed by Wollermanns under valid employment agreements and have the written Authority To Act issued by Ian Wollermann, the Officer in Effective Control. The one exception is a licensed estate agent in his own right.