

SUCCESSION PLANNING

Selling the business – planning

Family Matters Section 5 Topic 13

The RETAILER programme aims to provide practical resources for independent retailers in the Eastern region, backed by the support of intermediate mentors and the RETAILER website www.independent-retailer.com

The RETAILER programme is supported financially by the European Social fund (ESF). Elements of the RETAILER programme build upon the APU SESAME programme. If you are interested in joining the RETAILER programme, please complete and return the form at the back of this document.

This RETAILER topic is based on Topic 13, *Selling the business – planning*, from Section 5, *Exit*, of the SESAME Family Matters materials.

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Topic 13 Selling the business – planning

This topic looks at some of the practical steps that need to be taken when the business owners decide to sell up. This includes the need for careful planning and a clear-sighted approach, as well as practical issues of finding a buyer and valuing the business.

Finding a buyer

If the business is to be sold, you first need a buyer. In some of the situations discussed, e.g. management buy-outs, buyers readily present themselves. In other cases, e.g. a trade sale, a purchaser has to be found. This can be a long and delicate process, and cannot be rushed, no matter how urgently the vendor wants to dispose of the business.

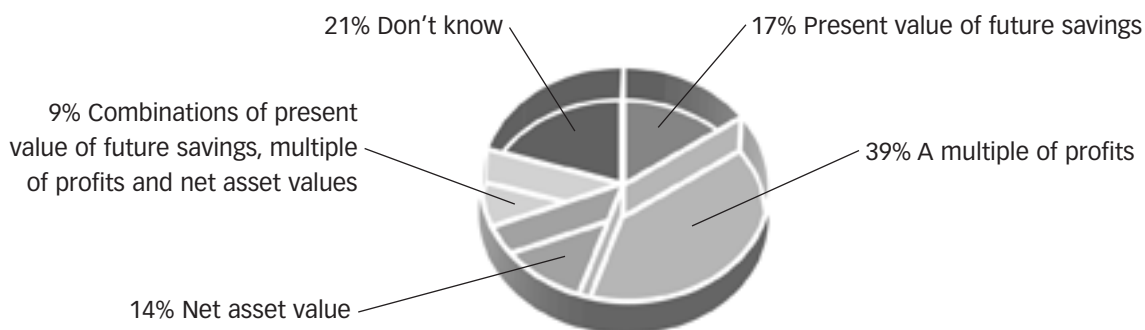
In many cases, the sale will be precipitated by the arrival on the scene of a buyer, who makes an offer the family owner cannot turn down. According to a recent UK survey, almost 90% of family company respondents indicated that they had received an approach within the last six to seven years.

Valuing the business

Having agreed a sale in principle, the next critical step is to put a value on the business. There is no one objective way of arriving at a valuation. Various methods are available and different companies will choose the most suitable method, depending on factors such as:

- what will give them the best valuation
- what the prevailing market conditions are
- comparison with other companies
- how they can minimise tax liabilities.

The Burns and Whitehouse study found that in the UK, the multiple of profits method was the most highly favoured at 39%.



Perhaps not surprisingly, 21% didn't know what method they favoured. After all, selling the business is a one-off task and most owners will approach it with trepidation and little previous experience. This underlines the importance of having specialist advisers to call on throughout the whole process.

In terms of pitching the valuation, vendors will seek to present as favourable a picture as possible to the purchaser, without penalising themselves through increased tax liabilities. On the other hand, purchasers will be looking for weaknesses with which to beat down the price. They will – with good reason – make thorough investigations into the business, its assets, its management styles, its financial controls, its use of information technology. Vendors have to steel themselves for a fairly thorough going-over and should not be surprised or offended by this.

Tackling the sale: practical guidelines

Whatever form your sale takes, it is vital to keep on top of the whole process and feel that you are in control. The following checklist contains a few practical guidelines for approaching this task.

CHECKLIST: TACKLING THE SALE

- **Plan early**, as it is impossible to specify a date for the sale of your business. You never know when a buyer may appear on your doorstep.
- **Use specialist help** – advisers will have far more experience of selling a business than you. Negotiations are often better handled by someone outside the business.
- **Get financial advice** on the options you are considering. Sorting out the tax implications can be very complicated and professional advice is essential.
- **Make sure that you feel in control** of the process. Ask to have strategies explained to you in the fullest possible terms.
- **Know what your priorities are** – decide which aspects of the sale are non-negotiable and which you will be willing to compromise on.
- **Be prepared to say ‘no’** if you are unhappy or unclear about what is going on. Don’t be afraid to use your subjective judgement to identify whether the outcome is what you want.
- **Keep running the business** – avoid ‘deal fever’. The sale should be second on your agenda; your first priority should be to run the business as if it is going to be in your family for generations to come.

Check Point

If you are considering selling your family business, now or in the future, think about:

- what your priorities would be for the sale
- which aspects of the sale would be non-negotiable
- which areas you would be willing to compromise on.

When you have given some thought to these matters, turn to Action plan 5 to summarise your ideas.

Priorities for selling the business	Non-negotiable	Negotiable	How
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now that you've seen some of the RETAILER materials, would you like to benefit from the RETAILER programme?

Through the RETAILER programme, Anglia Polytechnic University offers Till Side Training for independent retailers in Cambridgeshire, Suffolk, Norfolk and Essex employing less than 250 people.

The training is backed by practical materials, relevant resources, the support of experienced mentors and the RETAILER website.

Retailing is a 'people' business. Supermarkets, department stores and chains spend a significant amount of time and resources training their staff. Product knowledge, customer service, merchandising and selling are prerequisites for working in these companies, but training also:

- demonstrates commitment to their employees and their professional development (for many employees, the offer of training is the reason for deciding which company to work for)
- forms the principal rationale that supports all quality initiatives from simple Quality Control right up to Total Quality Management.

The RETAILER programme is supported financially by the European Social Fund, and is free to beneficiaries. The RETAILER programme is intended to train you, train your employees, and help you train future employees.

To find out more about the RETAILER programme please fill in your details below and send a copy of this page to:

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