

10 Reasons to Sign an Exclusive Intermediary Agreement

You have decided to sell your business. You have interviewed, investigated and selected a diligent, competent, professional intermediary. The question now is, “Should you enter into an exclusive agreement with this intermediary?” Are these good for the seller? The benefits to the intermediary of an exclusive agreement are obvious. Are there benefits to the seller of such an arrangement?

Absolutely... let's examine why:

1 - Better Exposure to Qualified Buyers

You will get better exposure from an exclusive arrangement than you will by letting several intermediaries work on a non-exclusive basis.

A professional intermediary working on an exclusive basis will do a comprehensive search of all the potential buyers for your business. This intermediary will present you with only those buyers who are qualified to complete the transaction. Non-exclusive intermediaries are not going to spend the time necessary to do a comprehensive search. Why should they make the effort when several other intermediaries have access to the deal and the odds of finding the buyer are low?

2 - The Intermediary Is the Auctioneer

The key element in getting a prime price for your business is to get an auction going between two or more synergistic buyers. The intermediary is that third party auctioneer who cajoles the highest bid from each buyer. The seller, being the ultimate authority, cannot play one bidder against another effectively.

3 - Best Buyer

Non-exclusive intermediaries only get paid if you sell to their buyer. This means that

these intermediaries are interested in “selling” their buyer to you -- not finding the best buyer for you. The result is that you end up negotiating with an intermediary who, in effect is representing the buyer, not you. (You will still pay this intermediary out of your pocket.)

4 - Maintenance of Confidentiality

Confidentiality is important to most sellers. Knowing the business is for sale may cause concern to employees, suppliers and customers, and joy to competitors. We have seen serious deterioration in profits as a result of breaches in confidentiality. When you have more than one intermediary involved, you expose yourself to loss of confidentiality in direct ratio to the number of intermediaries involved.

5 - Shopworn Deal

A non-exclusive arrangement may result in the same buyer getting information about your deal from several sources. This confuses buyers as to who is representing you and who can speak for you. In addition, the proposal becomes shopworn and buyers lose interest quickly.

6 - Walk-in Buyer

A frequent objection to exclusivity is the walk-in buyer candidate. You may ask, “Is it really fair for an intermediary to get paid for a buyer that they didn't uncover?” This buyer is no different from any other potential buyer. This buyer has to be qualified, presented with profiles, descriptive reports, encouraged to make the best bid, and guided through the due diligence and closing process. Obtaining candidate buyer names is the smallest part of the marketing effort. Your exclusive intermediary will see that you get the best price for your business no matter where the buyer's name comes from.

7 - Unqualified Buyers

Non-exclusive intermediaries have little incentive to present you with qualified buyers. Any buyer, qualified or not, is a candidate for your business in the eyes of the non-exclusive intermediary. From experience, we can tell you that each unqualified buyer will waste at least one day of your time. The exclusive intermediary will not waste your time presenting unqualified buyers. They will try to get the top qualified buyers to bid against each other. This procedure increases your selling price and the intermediary's fee.

8 - Your Personal Time

A professional intermediary will handle the myriad details required to market and close the sale of your company. Without an exclusive intermediary you will find yourself doing all this work or coordinating the efforts of several non-exclusive intermediaries. It can take from 25% to 100% of your time. This additional activity for you will come when you should be using your time to make sure the company is running at its optimum performance, thus enhancing its value for potential buyers. Even with an exclusive intermediary, you will find that the selling of your company takes a lot of your time, but not the huge hunks required when you are dealing with several non-exclusive brokers.

9 - Buyers are Sophisticated

The typical buyer of a business is very sophisticated. A professional buyer loves to deal directly with the seller because of the chance of a sweet deal from the unsophisticated seller. Even first-time buyers quickly become very knowledgeable in acquiring businesses because they will look at 50 to 100 businesses before they close a deal. They rapidly learn the value of a business and what questions to ask. The

typical seller of a medium-sized business sells only one or two businesses in a lifetime; they are not professional sellers. The seller with an exclusive and experienced intermediary as a representative will not be bamboozled by sophisticated buyers.

10 - Professional Intermediary

The experienced professional intermediary will not work on a non-exclusive basis. If you tell this intermediary about your offering, he or she will note the particulars, and will let you know if any applicable buyer inquiry comes across the desk. However, he will not pro-actively work on the project because the odds of earning a fee are very low. When you opt for non-exclusivity, the only intermediary help you will get is from inexperienced people. They will use you to enhance their learning curve. One of the criteria for selecting a good intermediary is to select one who only works on an exclusive basis.

The mergers and acquisitions reported on Wall Street all involve exclusive intermediaries. Wall Street has learned that an exclusive intermediary means a premium selling price for the company.

We strongly recommend that you deal with only one intermediary on an exclusive basis. This arrangement will give you the best chance to sell your business to a qualified buyer at the highest possible price.

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