



QUESTIONS THAT BUYERS ASK WHEN PURCHASING A BUSINESS

By Hank Bockus | August 10, 2021

After marketing your business for sale, you now have interested buyers. Those buyers will have questions before they purchase your business. And, before you speak with the buyer, you want to be prepared for the questions they might ask you.

If you are an interested buyer, below is an excellent resource for buying a business. Knowing what to ask when buying a business is essential to making the purchase of a business effective. And whether or not a buyer asks good questions is used by sellers and business brokers to determine how qualified a buyer is to purchase a business.

When a buyer and seller negotiate the sale of a business, it is most effective when their goals are aligned. Asking questions when buying a business is how the two parties can determine if the sale of the company will be effective.

Prospective buyers don't necessarily ask the same questions. Different buyers will have various essential things to determine if the business is a good fit. The questions listed below are compiled from many companies sold and negotiations to sell those businesses.

GENERAL QUESTIONS AN INTERESTED BUYER WILL ASK ABOUT YOU SELLING YOUR BUSINESS

There are common questions many buyers ask business owners. These are the common opening questions interested buyers asks:

- Why are you selling your business?
- What do you like about your business?
- What don't you like about your business?
- How can I grow the business?

CERTAIN BUYERS WILL MOSTLY BE INTERESTED IN THE NUMBERS

While many of these questions will be answered by a business broker before you meet with a buyer, they will typically still ask them because they want to hear from the owner. They may get a different insight that helps them to learn more about your company. When asking a question where they already know the answer, they are also looking for openness and honesty from you, the business owner.



WHAT IS THE ANNUAL INCOME OF YOUR BUSINESS?

Interested buyers should already know your business's annual income, mainly if they have discussed the company with your business broker. This question can get the conversation rolling about your business and its ongoing transactions. If the business sale process goes further, they will want to review your financial statements. They will look further into your balance sheets, accounting system, and tax returns during due diligence to make sure there are no red flags.

HOW MANY RECURRING CUSTOMERS DO YOU HAVE?

Recurring customers are a big deal. When purchasing a business that has frequent customers, there is confidence in the continued growth of the company and the annual revenue. Talking about recurring customers is a great way to validate the price of your business and make them feel confident in your customer service.

HOW MANY EMPLOYEES DO YOU GAIN AND REMOVE EACH YEAR?

Employees can be a significant challenge for new business owners. Knowing the right way to retain employees is helpful for any new business owner succeeds in the first year of ownership.

Also, they will want to know how much employee turnover you have had in the past because a large number of employees hired and lost annually can indicate poor internal management. Internal management issues can link to more significant issues within the business that a buyer wants to be aware of. Internal management issues can be a concern that can break a deal.

BUYERS WANT TO KNOW ABOUT YOUR POSITION IN THE BUSINESS

If the buyer assumes your role, they will want to know about your involvement in running the business. They will be asking about your responsibilities and different details around those responsibilities.

If a buyer is very interested in your business, they will ask for details about your role. Interest in your role as the business owner shows they are already making plans to lead your business. If your position slightly aligns with how they hope to run your business, they will be even more interested.

Questions a buyer might ask about your role in the business you are selling:

- How did you function as the owner of your business?
- What were your responsibilities in your company?
- How would you describe your leadership style at your business?
- Who worked directly for you under your leadership?
- What were their strengths and weaknesses?
- Do all of the employees report to you, or do you have a management team?

Having managers that have employees reporting to them is much more desirable for a business buyer than having all employees reporting to the business owner. Building a management structure creates



business value because buyers can then count on this management team to help with the transition of the business.

WHAT MAKES YOUR BUSINESS SUCCESSFUL?

Describe how your product or service is better than your competition. Buyers want to know what value they are buying an existing business vs. starting a new business.

- Do you offer things that they don't provide?
- Do you have long-term supplier relationships that they don't?
- Are your costs more or less than expected?
- Do your staff have specialized skills?
- Do you own patents or unique technology?
- Do you have consistent, ongoing profits?
- Do you have a social media or internet marketing presence?

BUYERS ARE INTERESTED IN BUSINESS GROWTH OPPORTUNITIES

Many buyers who are interested in your business will ask about growth opportunities in your industry. Essentially, if you weren't selling your business, what would your plans be for the next ten years.

When interested buyers ask these questions, it is essential to know your industry. You can also be an open book about recommendations and ideas in your business's industry. They do not have to take your ideas after you sell your business to them, but it's helpful to hear them.

Questions interested buyers will ask about business growth opportunities:

- Where do you see the market for your industry going in the next 5-10 years?
- What have you not done to grow the company that I can do?
- What would you invest in to make sure your business stays ahead of the competition?
- How is technology changing our industry?

It is always a great idea to talk about how the business has grown recently. If you had been working towards increasing a business's worth before you tried to sell it, you could indicate what was successful and what was not.

The areas where you are weak may be an excellent opportunity for a new buyer. And it also builds credibility with a buyer to know that you are not trying to make the business out to be perfect because, let's face it, no company is perfect.

BUYERS ARE INTERESTED IN YOUR COMPANY'S HISTORY



You already know your company's past, so tell the interested buyers about your business's history. Even though they may have already read what is written on your website's "about us" page, they are interested in the past challenges your business has faced and how your company overcame them.

Below are a few questions a buyer will ask about your business's history:

- What made you start this business?
- What was difficult in the first few years of running your company?
- What are some challenges your business has faced in the past?
- How did you overcome those challenges?
- How did the recession affect your business?
- How did Covid-19 affect your business?

THE BEST BUYERS CARE ABOUT THE TRANSACTION

We have seen successful interested buyers purchase businesses and unsuccessful buyers fail. The best transactions occur when both buyers and sellers develop a relationship with the common interest of making the transaction effective.

When the end goal is the success of the business's future, a highly effective business sale occurs. Questions an interested buyer will ask to try to make sure the sale of your business is effective for both parties:

- How would you like to see the sale of your business happen?
- What is your preference in regards to the transition process?
- Why are you selling your business?
- Who are your key employees?
- Which customers need handholding?
- What do you hope to do after selling your company?
- Why Are You Selling Your Business?

QUESTIONS BUYERS WILL HAVE AS THEY START TO RUN YOUR BUSINESS

All of the above questions will not be asked during the first meeting with an interested buyer. They will likely ask these questions as the business sale process develops over time and during the due diligence process. These are all topics of conversation that may come up as you are training them in your role.

HIRE A BUSINESS BROKER TO HELP NEGOTIATE THE SALE OF YOUR BUSINESS

While you know the answers to all of these questions, Bockus Consulting can help you negotiate the sale of your business, structure the deal, bring buyers, and market confidentially. A strategic buyer may



ask specific questions to look for ways to lower the asking price of your business. While it is always good to compromise, making sure the negotiation process is effective is extremely important.

Bockus Consulting – Business Brokerage is an Oklahoma-owned, non-franchised firm that successfully matches sellers to prescreened prospective buyers. To learn more about buying and selling businesses in Oklahoma, visit our website at bockusconsulting.com.