

sellingpoints

Is The Time Right To Sell Your Business?

BY JUDITH STONE

After more than a decade of selling drycleaning businesses exclusively, Dry Cleaning Plus has determined two key factors that culminate with a successful sale.

Number one is the **Decision to Sell**. It may sound simple, but without firm desire and real motivation, selling your business will be difficult to impossible.

Whether you have owned your business for 40 years or 40 months, you have an emotional investment in that business. If you are close to retiring, imagine having no place to go to everyday. It sounds great to give up the daily grind, but what will you do with all your days, and will you be able to afford the lifestyle of your choice?

If you found that you don't like the drycleaning business, you may have to take a financial loss to get on with your life. Will you have enough money to finance your next venture, or do you have another solid opportunity? Does that opportunity seem better because you dislike what you are doing now?

If you want to sell because you aren't earning the money you anticipated, ask yourself why someone else would want to buy your business and suffer financially as you have. If your business is not producing a profit, you may suffer extreme difficulty finding a buyer.

It is very hard to give up control or to admit that you made a poor business decision, but in order to finalize your decision to sell, you must come to terms with all these issues. Additionally, be sure that all principals are in agreement if your business is family-owned or a partnership. This is not an easy choice, and it's important to discuss these changes with family members who will be affected by your conclusions. Only then can you move on to the **Preparation to Sell**.

Advice From Professionals

You will have an advantage if you select professionals with prior experience in the drycleaning industry. Your lawyer should be aware that you are selling your business, and ask him to review your lease. An appointment with your accountant is a must to discuss the capital gain tax and all other tax related issues that will affect you because of the sale.

Also, talk about how the financials will affect your retirement or your next business venture. Ask the accountant to prepare copies of your business tax returns for the past two years, as the buyer's accountant will want to review them. A business broker who specializes in drycleaning business sales will have the most knowledge of pitfalls and problems that are unique to the industry and may have qualified buyers interested in what you are selling.

If you plan to sell on your own, contact an industry consultant to help you

evaluate your business and give you advice. Don't forget professionals work for you, and they must help you make the deal.

Lease & Landlord

Either you or your lawyer must read your lease. Is it assignable? Most buyers today are looking for leases of ten years or five years, plus a five-year option. Anything less will cause a buyer to lose interest or significantly bring down the selling price.

Buyers will ask about the security deposit, taxes, and yearly increases. Selling the building or a first option to buy is an advantage as a selling point.

Optimally, a fair rent should range between 10-13% of the gross sales volume. If your rent is too high, speak to the landlord about a reduction. Also ask your landlord what will be required of a buyer. Most landlords want a personal financial statement and references, without which you may be asked to remain on the lease as a responsible party. It is always best to address your lease before entertaining buyers.

Environmental Concerns

Comply with all current environmental regulations in your state. Buyers everywhere are very conscious of government rules, and if your business is located in New York State, it must pass a third party inspection. Have your grounds tested; it's best to find out now if there is a problem. Small or large, you must resolve the problem before a buyer will purchase your business. Consider talking to an environmental lawyer. At any time, other states in the Northeast or anywhere in the country can pass legislation that will affect drycleaners.

Equipment

Although every drycleaning plant must have equipment, the age and condition of that equipment impacts on the selling price. Wouldn't you pay more for a business with new or better equipment?

Even if you keep the equipment well-maintained regulations may force the buyer to purchase updated machines. All equipment must be in good working order, so fix any leaks and repairs now or be prepared to adjust your selling price. Prepare a detailed list of all equipment that will be included in the sale.

Records and Terms

We assume that you have kept detailed copies of your gross sales and expenses, including payroll. This information is the most important factoring setting the price for your business. It is the obligation of the seller to prove his gross sales and show his expenses. This is accomplished by accurate bookkeeping, tax returns and due diligence. A buyer wants to know how much profit he/she can earn and how hard he/she will have to work to earn it.

After establishing selling price, you must consider terms and conditions. Some considerations are the down payment (or full payment), length of payout and interest rate. Other issues that will be discussed as terms include finished

inventory, supplies, deposits and accounts receivables.

As a reminder, if you have decided to sell, you should be fair and flexible. Put yourself in the buyer's shoes to look critically at your terms.

Other Considerations

A common misconception among sellers is that the minute the employees realize the business is for sale, there will be mass resignations. We have found that although you may be a wonderful employer. Most workers need a steady paycheck and do not leave.

Also, do not fear others knowing that your business is for sale. A business must be marketed to a wide range of people in order to find a buyer who will close on a deal.

Clean up your location. Consider hiring a cleaning crew to remove debris, eliminate the greasy dirt collecting in your production area and generally give your store a fresh look. It can increase the value of your business and your customers and employees would appreciate it as well.

The drycleaning industry has suffered bad press, and business owners are put off by new regulations and lower profitability. Many current purchases are either acquisitions by current owners or trade-ups by experienced operators. Competition has increased as big corporations see an opportunity to succeed with economies of scale and huge advertising budgets.

Dry Cleaning Plus believes that the keys to selling your business are making the decision to sell and preparing your business for the sale. Be patient. It takes a minimum of three months and can be longer than a year to sell. Showing respect for the buyer and keeping your goals in mind will get you where you want to go.

*Judith Stone and her husband, Richard G. Stone own and operate **Dry Cleaning Plus**, a business brokerage and consulting firm that operates exclusively in the drycleaning industry. They specialize in business "MatchMaking" to help people get in or out of the dry cleaning business. With 70 years' experience, they offer brokerage, consulting and advice to business owners in the area of business evaluation, preparation for sale and image consulting. They can be reached at (845) 352-4755 or dcplusinc@msn.com.*