11 Tips On Selling Your Business to a Competitor

If you approach competitors about your desire to sell your business or a competitor approaches you with a serious purchase offer, protecting your business must be central to all your negotiations. Despite the risks, selling your small business to a competitor has some serious advantages. Here are 11 ways to protect yourself when selling your business to a competitor.



1. Don't Let Emotions Get in the Way: "When exiting a business, your competitors can be your best friends even if you don't consider them to be just yet. Don't let instinctual distrust and competition interfere with your ability to get a deal you want done, done." - Jeffrey K. Cassin, Mergers & Acquisitions attorney, Scarinci Hollenbeck, Attorneys at Law

2. Find a Strategic Buyer: "Strategic buyers can often do more with your business. Because strategic buyers know your industry, they can often build your business rapidly after the sale. If you are interested in seeing your business grow, strategic sales can be a great way to go." - Mark Daoust, Forbes

3. Don't Be Afraid to Ask Questions: "Evaluate the true interest of the competitor in your business. Is this likely a 'fishing expedition' to ferret out your weaknesses or a real interest based on a strategic need? Ask a lot of questions about why the competitor is interested and what he or she hopes to do with your business. If it doesn't make sense to you (knowing your business), be wary." - Philip P. Crowley, Esq., Law Office of Philip P. Crowley LLC

4. Deposits and NDA's are very important: "The importance of non-disclosure agreements in this sort of business deal cannot be over emphasized. It is the first thing you should do alongside with getting a nonrefundable deposit." - Profitable Venture

5. Be Patient: "The sale process is much more granular and time-consuming than I ever could have imagined. The due diligence took a couple of months detailing everything from legal to accounting to technology and beyond, along with multiple meetings in between. Selling a business is a full-time job on top of keeping the business running full-time." Lisa Colantuono, president of AAR Partners

6. Know When To Walk Away: "I sold to a competitor that wanted to use the technology and know-how internationally. The best thing I did was immediately discontinue any formal responsibilities with the company. The biggest headache came from trying to help the new owner with issues that came up." - Michael Alexis, the current director of marketing at Museum Hack

7. Protect Yourself: "What you want to think about more than anything is protecting yourself throughout the course of the negotiation. Emphasize to the competitor that Due Diligence must be done on their end. If they insist on seeing financial

data, customer lists, and vendor information, you should not disclose this until they've actually signed a purchase agreement, not just a non-disclosure agreement." - Armin Laidre, Exit Adviser

8. Considerations on Go/No Go: "When considering whether it's healthy to go after potential strategic competitors, building a list and doing a simple talk-through of the various options is helpful, but asking the right questions is perhaps most important." - Nate Nead, Investment Bank

9. Not All Competitors Are Buyers: "Many are simply looking for information. A competitor's interest in a business may be a sophisticated method to acquire a competitor's knowledge, thereby gaining a competitive advantage over the competitor who is thinking of selling his business." - William Lipovsky, Due

10. Ground Rules for The Unsolicited Offer: "If an unsolicited offer comes in, I find a lot of business owners want to jump on the phone and talk to them, or at least they are curious enough that they'd like to do that. So, I recommend that if that does happen and you have a business owner that would like to do that, I encourage that business owner to restrict that quick chat or that a quick call with the prospective buyer to speak about anything that they can find online." - Holly Magister, CPA, CFP, Exit Promise

11. Check Their Track Record: "If the competitor offering to buy your company has a track record of recent acquisitions, there is a good chance their overtures are genuine. If your business would be their first acquisition, proceed with caution – they may just be fishing." - John Warrillow, Forbes

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