



EPISODE
141

THE DEAL ROOM

How strong systems and processes lead to great deals

The Deal Room Podcast

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Transcript

Joanna: Hi, it's Joanna Oakey here and welcome back to The Deal Room podcast, a podcast proudly brought to you by our commercial legal practice, Aspect Legal. Now today we have onboard Clifford Forster from Universal Business Brokers to talk to us all about how strong systems and processes lead to great deals. Now I've witnessed Cliff in action many times over and I can tell you, he is a broker that has really strong systems and processes and I've witnessed how these systems and processes have contributed to fast and efficient deals. So in this episode we dig into what systems Cliff uses and we look at what systems he put in place to double his sales in less than a year. We discuss what contributes to a successful deal and on the flip side, what to look out for things that can trip a deal up and cause it to fall over. We also dig into the importance of having a great team. So sit back and enjoy, here we are speaking to Cliff all about systems and processes in acting in the sale of a business. Cliff, welcome on to The Deal Room podcast.

Clifford: Thank you.

Joanna: Great, one of the reasons that I wanted to have you on the show today is one of the things that I've noticed in working with you is just how prolific you are in dealing with buyers and sellers but how I guess the systems and processes that I've observed that you have that really pushed the deal through. I thought it would be really useful today to just step through that and also to talk about how it is or some of the issues that occurred along the way that drove you to create the process the way it is. So, maybe start off, give us a quick background on who you are and what you do at Universal Business Brokers.

Clifford: Okay, so I've been a broker for 10 years, I started off with a big firm. I was there five and a half years and I've been on my own now for about four and a half years in total just under 10 years I have been a broker. Luckily prior to being a business broker, I owned numerous different sectors of businesses so I already owned nightclubs, production companies, a security firm, I have been involved with many things and currently own Day Spa.

Joanna: A serial entrepreneur, Cliff, the true entrepreneur.

Clifford: It's still a business but I was gonna go out on my own as a business owner because I experienced bad times with Business Brokers in the last business that I sold 11 years ago and lost quite significantly. So I thought to myself that if that's how Business Brokers operate, well, then I'm going to be a business broker and I'm going to do right! I went and studied and I got my license and I got poached off the course by someone who at that time, luckily had time to show me how to properly. I stayed in that firm, I was the high selling broker in that firm for the majority of the time that I was there. I stayed in that firm for five and a half years. Actually my first year in that firm I had no experience whatsoever. I was the national broker of the year.

So luckily, I was shown probably, but I had that tenacity and an understanding of business to be able to understand vendors and purchasers and what they were after, and what they need to be able to get a deal across the line. So luckily I was shown the systems and the ways to do it properly and straight away picked it up to the point that I was good at it pretty much straight away. Over time I just kept going and got to a club where I thought now it's time to go it alone. I picked up the skills that I needed which I then took with my own systems and my own measures to be able to sell the business and implemented it into Universal Business Brokers. When I started Universal Business Brokers I had a system that I had in my mind that I wanted to use. So I had a database a CRM developed that I thought was the correct one for what we do using all the systemisations that I need to make my job a lot easier and then launched Universal Business Brokers.

In launching Universal Business Brokers in the first year I doubled my sales, and it's continuously growing every year since then. I've put a couple of brokers on so I've got 2 in my team right now, one broker and one admin. I don't intend to grow any bigger because I actually like it like that. I think when you get to be a bigger broker firm you lose the personality, so I decided and bought a massive office to go big and then I changed my mind. What I found is that we probably sell more than most of those big brokerages with just the two of us.

Joanna: Yeah, right.

The importance of having control when setting out deals

Joanna: Coming back to that, that control and I think that is a great word that you've chosen to use there because that's certainly something that I see in working with you and the way you set out your deals, you have a lot of control and I think there is a massive amount of benefit of that at the end of the day in keeping deals on track. Maybe can you talk a little bit about what that control looks like? So what is it that you felt you needed to control along the way and why?

What you need to control when setting out deals

Clifford: Yeah, so finding the buyer is one part, I'm not saying it's the easy part but it's one part and it's the part from finding the buyer and getting them interested and then getting them to close the deal, exchange the contract, then move forward to settlement. So there are a whole lot of aspects along the way that you have to control there. Firstly you have got the buyer, you have to convince the buyer to buy and then you have the buyer solicitor, if the buyer solicitor is not the right person, they're gonna use someone who does wills and criminal law, the deal is going to be stuffed from the start. So first thing we do is to try and convince the buyer to use a solicitor that we find to be competent. So we know that they are going to be looked after, and also the process is going to be smooth, and the buyer's lawyer understands how to sell businesses. The second one is, when the seller wants a contract of sale drafted we refer them also to the right boys, so the contract can be drafted correctly and uses the standard Law Society agreements to make it smooth so the other lawyer knows that transaction as well and how to read those contracts.

Then there is the next person, once you get past the deposit from the buyer, and you move forward with the sale and then the contract starts the negotiation, we request our lawyers to CC us in all communication so we can assist with it. So if we are CC'd in it we know where the bombs are so we can put the fires out before the fire starts. So in doing that, obviously, the buyer is the one who can't talk to the seller, and the seller's lawyer can't talk to the buyer, but we can talk to everybody, so we help that process along. Then once we get to that point, we negotiate the deal and we exchange the contract.

The next person you got to deal with is the managing agent, the landlord or the landlord's lawyer. Now the landlord only cares that the person pays his rent, the landlord lawyer only cares for the landlord, right so we need to prove to the landlord and first up the managing agent who usually will jump above them because in many cases there are incompetent so we usually jump in and go directly to the landlord, landlord lawyer. In most cases in a lot of areas, I know most of the real estate agents so I jump in then but in a lot of cases, as you experience, I'll step above them all and go straight to the landlord and the landlord's lawyer. Now the landlord wants to know a couple of things, does the buyer have the expertise to be able to run the business, does the buyer have the financial position to be able to run the business? So we put an application forward to the landlord and landlords lawyer, giving them comfort that the buyer has the ability to run and finance the business. So we get all of these we know they want. They want the asset liability statement, the proof of assets, the resumes, the references, the 100 points of ID and police check. So we prepare that all prior to submitting it to the landlord and the landlord's lawyer to help that deal across the line. So if they get a meeting upfront they want to improve it looks good. So we

help the buyer with that, we help him with his resume, we help them with references, we help them with everything until I'm happy or we're happy that that application looks 100% I'm gonna do that.

Trying to sell the ability of the buyer

Joanna: That is such a good point, sometimes I talk about this stages being almost like a marketing document. Obviously, it's not marketing, but you're trying to sell, you know, the ability of the buyer, aren't you? You know, and I think incorrectly done you just create a whole heap of angst and time and obviously this risk that the landlord, you know, isn't going to be happy and is going to create a slower process or forms in the process issues, you know?

Clifford: Yeah 100%. We write a letter to the landlord, landlord's lawyer, and we tell them about the buyer. So we say "Dear John, would like to introduce you to Betty. Betty's had 16 years experience in business, she's owned blah, blah, blah, blah. Betty's position is that she has a net worth of 3.6 million. Betty doesn't need finance to buy the business, she's a cash buyer. Betty has experience in this particular industry because she's only owned ABC businesses. I would like to introduce you to Betty and here's supporting documents for her application; asset liability statement, proof of assets, so we give them all the stuff they need, first we tell them about them, then we provide everything they need so the landlord goes yes they have run this type of business before, yes here is the bank statements, they have got money, around \$400K/\$500K in the bank.

So the landlord gets that one document and usually a decision is made off the first email. So usually the landlord looks at it and goes, "yeah, that all stands up". Let's say he gives it to the lawyer and the lawyer doesn't sign the document. So if it's not done that way, a lot of broker firms I know, they try to find a buyer, if they can't find one they flick it to the vendor lawyer or they send out the sales advice and their jobs done. They sit there and wait for their commission, deal falls over.

The only way to do it is to control it all the way through, even as far as helping them fill out an application for a liquor license or, their application for outdoor seating, the franchise's that we deal with, Anytime Fitness places like that, we actually do the application for the franchise. So we help with everything. And they prefer we do it because they know if we do it that it's going to be done right..

Joanna: That is such a good point, and you earlier talked about the importance of having the right team. So the right lawyers on board lawyers who understand the business sale process and know how to work through it commercially and other team members. I think it would be useful to talk about what issues led you to that, because I'm sure you didn't start with that as a position, so how did that evolve, and why?

The importance of having the right team

Clifford: Yes. So I found that at every step in the process, there was always a cheat, there was always a kink in the process that made it hard. So the right professional service that we recommend, just helps the job along easier. And these particular professionals, we know they're competent enough to make sure that you'll get across

the line for the vendor and the buyer, we're protecting both. So we went one step further, as you know, we just built a new office, internally in that office we're going to have business insurers, we're going to have an individual professional who choose to be in our office. We are going to have two law firms that we are confident that will work with ourselves so we can have a buyer solicitor or even the seller's solicitor so they can be protected. A finance broker that would help you out I've just personally dealt with him on a couple of properties, so I've invited him into the office and he's coming in. Insurance, digital marketing, marketing, these are all the people who we have invited into our office to take space in our office so that we can manage that process, offer that service or these professional services to our clients and recommend them because we know these people are going to do the right job,

Joanna: the one stop shop.

Clifford: And I thought, do I employ these people or do I do it myself? No, I don't think that's feasible. I think choose the right professionals and invite them in. So when they come into the office, we offer as much as we can to them so we can look after the whole transaction on their behalf and be in that one office so we can get the deal to work smoothly. So that's where we're moving forward. That office is getting built as we speak, settled in June and then the build will. Professional boardroom space, we will have a couple of large boardrooms in there, and people can come and get a coffee too. It's all going to be there in that one office so we can make a very professional 5 star environment.

Joanna: Brilliant. And one of the things I'd also like to talk about is your marketing approach, because I think that's also something that is a little bit different in relation to what you do. Maybe can you run us through how you approach the marketing side and why it's a bit different?

A unique marketing approach

Clifford: Yeah. So there's the old school marketing, which people do and we do as well, which is websites we are on all websites. So that's not where we're selling most of the businesses. So websites are great, there's an active buyer looking to buy a business and they're searching around on there and they're looking to buy and they inquire about, but that's not always going to be where we find the buyer. Obviously social media and the internet, the preference in our market, we invest quite heavily in. So I went and studied social media marketing quite intensively to the point where we went to a marketing company and found out that we did it better. We actually program the back of the social media outlets, with Facebook or LinkedIn to actually send our advertising out directly to people who we think might be the interested in buying it. So as I said before, it's like shooting a shotgun in the dark. If you stand up two meters away, you're gonna shoot the shotgun, the pellets gonna come out, you're gonna hit the duck. Whereas if you stand 100 meters away, you're probably gonna miss the duck.

So what we do is a program in the back of the social media campaigns to do the social media marketing. So we're up close and we are hitting the duck. So we might spend a certain amount of money to try and target that demographic or industry of people, for example, if I'm going to sell a plumbing business, who do I want the ads to go? Well, I want them to go to plumbers, I don't want them to go mechanics, or

beauticians, I want them to go directly to plumbers. So we programmed the demographic area or the surrounding area where we think people would want to buy that particular plumbing business or that particular gym or that particular engineering firm and then we shoot the marketing directly to those people. So to give you an example, a recent add that we just did for a building company, and we put it up on all the websites. We had six inquiries in that 14-day span through the business for sale website. So we had 27 through Facebook, a recent transaction I just did with you Joanna with the plumbing company that we just sold that was on Facebook. That buyer wasn't actively looking on the websites he popped up on his feed, "Commercial Plumbing business for sale", and that's the man who bought it, so if you don't do that type of marketing, you're gonna lose that type of buyers. I'm gonna say that not all but at least half or the majority of businesses that we're selling at present we're getting through the social media campaigns.

Joanna: That's fascinating. And because, you know, the buyer of this business was a client, even before he went along and bought the business that you had for sale. And I know he was interested in buying another plumbing business, but I don't think he was at the point then of actually going through for sale websites or engaging within an active campaign of looking for businesses. So the fact that you reach him at that point, I think, is testament to the process. But I've also spoken to businesses and I've known of businesses in the past that have been sold via social media marketing campaigns, where there have been issues because the buyers aren't necessarily ready to purchase. So do you find that that has struck you as a difference in terms of potential buyers that come via social media versus the traditional way?
Securing buyers through social media

Clifford: Yeah, look, honestly, you could say 90% of the buyers aren't really buy anyway, no matter where you get them from. So yes, social media, you're gonna get a lot, versus looking on the business for sale websites is actively looking to buy businesses, they're looking for a gym and they're looking for engineering they're searching for that particular type of industry. Whereas off the social media campaigns, it's obviously popping up every plumber's business or every personal trainer or investors feed and they're looking at it saying oh that's interesting to me, doesn't mean they want to buy but it's interesting to know what we're talking about with that particular business.

So yes, out of those 27 inquiries of the plumbing business, I would say at least two or maybe 18 of them were plumbers. Most of them just try and find out which one it was and what contracts they've gotten some information which are never going to get the clients names and the prices they charge. But in saying that we had three very serious costs, out of 27 buyers, you know, two of them had meetings with the owner. One had two meetings, one of them had three meetings, which we don't usually do to talk money, but I thought they were serious enough to buy and eventually he bought it. So as you know with that same process there was a lot of hiccups along the way with Coronavirus and that sort of stuff that we had to be a little bit constructive on how we settle that deal. Obviously with learnt at the end, which was over fell over, so we negotiated in a structure that we know that they're going to be successful at because predominantly, this particular business hospitals and nursing homes, we know it's going to do Okay, so the vendor was happy with that. And we did an earn-out towards the end, we'll save the deal towards him look like a waterfall but yeah, social media wise I can't talk highly enough it's grown my business and I'm invested in it.

Joanna: Fascinating. Okay, brilliant. And one last question. Just back to one of the things you talked about, right at the beginning, you talked about moving into your own practice, and your recognition of systems that systems would make the whole process useful and then subsequently, you'd doubled the number of businesses that you sold or had sold prior to that. What are the key systems that you created then? And what are the key systems that you think are important now?

Clifford: It is a structure in a way that you sell your business right? so I said 90% or 95% of people are just gonna waste your time. The systems that we use is basically when a person buys from our websites or social media campaign, we then send them out a link to an online confidentiality agreement. So once they have signed the confidentiality agreement doesn't mean they are going to see the business because you can put whatever name you want on there. Joe Bloggs, John Citizen, so then we want to qualify firstly before we start working with this buyer do you know John Citizen, is he actually named John Citizen and he does actually live at 127 Dubbo Road, Dubbo so we asked for a copy of their driver's license, if you're not willing to provide their driver's license, which many will try not to, they're probably not a serious buyer.

Joanna: What a great filter. Simple.

Clifford: Buyers, take off your date of birth and take off your driver's license number you've already given me your name, your email address and your home address. So there's nothing else on your driver's license other than your driver's license number, your date of birth, that I haven't already got. So we have currently had John Citizen from 127 Dubbo Road, Dubbo and that really is your address and that really is you, well then just send me a photo to prove that.

So we probably get rid of 50% of our enquiries just on that because in this industry, obviously, there's a lot of cutthroat situations with other brokerage firms and real estate agencies and mergers and acquisitions firms trying to find the rest of your business so they can try and send their client and their buyers in which they're probably haven't got. So we get rid of them. And over the years, I think most competitors realize they're not gonna get too much out of me because I work out who they are. So even if they give their driver's license, that's fine. They're still not going to get the information until I'm comfortable with it. But even before I've sent that request, I've researched you on social media. If I can't find you on Google, well then you don't exist, right, so I Google you, search you on LinkedIn, and Facebook and I look at who your friends are. I put it in certain people's names in your feeds so I can actually qualify if I do find you and I can see yes, you're inquiring about a gym and your accountant or lawyer or doctor, who are the most people who buy those things. And you do actually live in Ranger or or wherever you live, I can qualify that. So then you're going to get a call from us, or you're going to call me if you're a serious buyer, because serious buyers call you and don't wait for you to call them. I'm still going to call you, so I'm going to call you twice. If I call you and leave a message saying I'm Clifford from Universal Business Brokers calling you about the business you inquired about. I'll do that twice. If after two phone calls, they don't bring you back, they are not a serious buyer. But if they are, they answer, or they ring me, generally I am going to qualify for you.

So for example, I'll use a plumbing business for an example, Okay, so the first question I ask you is, are you a plumber? And if they say no, I'm gonna say, well why are looking at a plumbing business? I've got a friend who's a plumber. What's your friend's name? My friend's name is John alright give me John's email and phone number and I'm going to send him a confidentiality agreement and I'm gonna talk to John. So I don't deal with the friend, I deal with the buyer. So most times people are just trying to get your information with no intention to buy, so we eliminate that. So I will say, one in five, maybe one in six people that actually inquire about what I'm selling will actually get the address. So if I ring you and I say, you've inquired about a business, there are a couple of questions before I give you out the details, are you a plumber, yes I'm a plumber, the business is on the market of \$485,000 do you need assistance with finance?

When I ask that question, I'm not asking that question because I can assist them with finance clients, but I'm asked that question, to see if they give me the wrong answer to see if I give them the business or not. If they say, yes, I do. And I say, okay, it's \$485,000 how much money do you need? If they say \$485,000? I said That's fantastic, have you got any equity in property? They say no, then I say have you got any money at all, they say no then I say why are you ringing? If they say yes, actually no I don't need finance I've got another small plumbing business, have you got equity in property, yes, I own my property outright but I don't need it I'd probably do 50% finance I've got \$250,000 so they are a buyer. Once they have made me feel confident then I'm their best friend, you give them the information they need and I'm going to help them with anything they need to be able to feel comfortable to buy this business. I'm going to tell them all the fantastic things about the business. For example, the last one we just sold, he has been in it 42 years, the gentleman is retiring, all the positive things, to make them feel confident to buy the business and work with the accountants and the lawyers and everything. And then when the buyer moves forward there is more to it, you now need to refer them to professional services. For example, I say have you got a commercial lawyer, I've got a lawyer, okay does he do professional sales business law? Well he wrote a will, Well, I'll tell them don't use that lawyer, I think you should this lawyer and these are the reasons why. And do you need assistance with Finance? Oh I once had some finance on a car, I'd say well don't use that bloke, use Matt, Matt is fantastic, he will get you finance, he used to be the boss of Westpac bank commercial. So I then help them with the professional services, they need to be able to buy the business because then if I give these professional services, that I feel confident these guys get the job done, and I don't, you know, and we'll work together to get the deal done. So, all the systems that we use every email, we send out a template, so I wrote that and over time that changed and that will continue to change, things change to get it perfect, I think im pretty good.

So no matter what process it is there's a particular email we send out to a certain person in relation to that, which gives them the information they need, for example, the sales advice, we need to write that in a certain way. All the details, contact details, also structure what the deals of the sale is, so in that sales advice, so I've got a template for that I've got a template for the first response a template for the please requesting the copy of the driver's license ive got a template for everything. Even for the oncoming vendor who is going to come on with us, I've got a template for him to give to his older broker who didn't sell it to eliminate the agency agreement. So, I've got a template for the whole thing as best as I can to make the deal as soon as

possible.

Joanna: Absolutely love it, Cliff. And look, I can just see the transactions that I work with you in move really quickly, move smoothly, and I think it's a function of the right people, you know, the deal team. I quite often think about these areas, being most efficient when you've got the right deal team in place. I think you've on top of that, have you know, systems and processes that you clearly apply rigorously and I love some of the stories of the way that just fabulous but in all reality, obviously, this is what gives you the ability to move so efficiently for sellers and for buyers as well, you know, to pair them together quickly, you do move very quickly, I've got to say.

Clifford: Yeah, well, time is of the essence, people can change their mind. You want to get into the contract then exchange that contract as fast as possible. So the process that we take to is not wasting our time with non-serious parties. So once we get to a point, before we do introductions with, the buyer to the seller. If you're a serious buyer, I'll give you enough information to make a decision whether you want to buy that business. And nearly any instance they asked me I'll know because I've researched the business I've had meetings with the owner, I have a good understanding of what that business is and how it operates. So generally, I can answer their questions. But I'm not going to set up little meetings because I've had many hundreds of little meetings, when I started as a broker, and wasted the time with the vendor, myself and buyer.

So once they've got to a point where they're a serious buyer I want that deposit. Before I move forward before they get to contact. I want to deposit, as we all know deposits 100% refundable up until exchange of contracts for any reason. So I make them feel comfortable about this in an email once I've got a deposit, so for example, a \$500,000 sale, no one puts \$50,000 into your trust account unless they are serious. So usually what I find is if a deposit goes in 95% of the time a deal will happen, once the deposit goes in we send out the sales advice. We then help the buyer and the seller through the whole process with professional services and all the documents and information they need to accomplish that sale go through, and by using the right lawyers, the right professionals, the deal will go through. So generally once we get to that point, once the deposit is given 90/95% of the time the deal goes through.

Tips and takeaways

Joanna: Awesome, Cliff. Thank you very much for all of your tips today. any parting tips that you have for I guess vendors who are looking to sell anything that you think is important for them just to be aware of and leading up to that sale.

Clifford: I do. I mean to give you to stay in the business broking industry. There's a lot of business brokers coming in the industry, they prior to now used to be able to do a seven-day course of college online. Off they go with a suitcase and they're a business broker. They've never owned a business before they don't understand how to operate a business; they don't understand the needs of the vendor or purchaser, so there are a lot of them around. A lot of these guys are running around doing it significantly cheaper than professional brokers. That's because they've got no work. I always say be wary of the cheap guy. If you buy the old car, the old Datsun 121 you get what you get it breaks down on the road. You keep driving. So I always say to vendors to be very careful of the cheap guy. I'm not saying that we're expensive,

we're definitely mid-range, I always get people coming to me saying that guy was \$3000 cheaper. But be careful, because that guy will usually get a client back or take another three or four clients off them. So it's important the vendor feels comfortable with their broker, do some research and maybe ask them questions like how many have they sold in that industry. What is the success rate from listing the sale? What are your marketing strategies? How do you do it before you make a decision on what broker to use?

Joanna: Yeah, brilliant. Okay, wonderful. And Cliff, if anyone listening to this is interested in getting in contact with you, or if you're an accountant out there and you have a business owner that's looking to sell Cliff, how did they get in contact with you?

Clifford: We get referrals from lots of accountants, and law firms so they feel confident with us, it's quite easy, either ring me or email me go on our website universalbusinessbrokers.com.au or email me at clifford@universalbusinessbrokers.com.au or give me a call, my mobile is 0422 486 277 or 1300 001 303.

Joanna: Brilliant. If you are running along the beach right now listening to this lucky you or on your commute into work, and you haven't got a pen handy, don't worry, just head over to the show notes. And we'll put all of those details in there. Cliff thank you so much for coming onto the show today.

Clifford: Thank you for having me.

Joanna: Well, that's it for this episode, all about how strong systems and processes lead to great deals. If you'd like more information about this topic, then just head over to our website at TheDealRoomPodcast.com, where you'll be able to download a transcript of this podcast episode if you'd like to rate it in more detail. There you'll also find details of how to contact Clifford Forster at Universal Business Brokers and of course you'll also find details of how to contact our lawyers and Aspect Legal If you or your clients would like to discuss any legal aspects of sales or acquisitions.

We have a number of great services to help guide people businesses through the sale and acquisition process and we work with clients both big and small. So don't hesitate to book an appointment with our legal eagles if you'd like to find out how we might be able to assist and finally if you enjoyed what you heard today then please pop over to Apple Podcasts or your favourite podcast player and maybe consider leaving us to review and while you're there, make sure you hit subscribe so you can get the deal room podcast delivered straight to your podcast player every week as we release well that's it thanks again for listening in. You've been listening to Joanna Oakey and The Deal Room Podcast a podcast proudly brought to you by our commercial legal practice Aspect Legal See you next time.