



EPISODE
237



What is Happening in the Business
for Sale Marketplace

The Deal Room Podcast

Episode 237 – What is Happening in the Business for Sale Marketplace

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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.

Today, we have another episode in our Innovation Series, this time speaking to the fabulous Vanessa Lovie, the Managing Director of Bsale.com.au. Bsale, if you're not already aware of it, is one of Australia's leading sites for current business sales, news and information. For over 20 years they've been in the business of connecting buyers and sellers.

In this discussion, Vanessa shares with us the main ways they gain enquiries, BSale's 2-decade journey in the business sales industry, BSale's current innovation projects and opportunities for innovation in business sales and acquisitions.

She also shares her take on the current market condition for business sales.

So without further ado, here's our insightful discussion with Vanessa...

Joanna: Vanessa it is so fabulous to have you in the podcast, Thank you so much for coming along today.

Vanessa: Thank you, Jo. It's lovely to be here. I'm excited.

Joanna: I am excited too. I'm always excited, but I am very excited to talk about these topics. Because when we get talking, boy, oh, boy, do we get talking, you know, and I think we both share a real passion and love for this industry, you know, and I guess sort of sitting on it, you know, from the perspective of service providers into the industry, you know I obviously we've always got loads to talk about. So I barely even know where to start with all of this. But what I'd like to do actually, just for you to give, maybe just a one or 2 min quick snapshot of your history in the industry. Because I think this is one of the things many people don't fully understand. Just how long you've been in this industry and how much you've seen in the industry. So just real quick, snapshot.

Vanessa: Yeah, of course. So obviously, so bsale.com.au on that you are the website that we own. It's a business and franchise for sale website, and we started back in 2000. So we've been here nearly 23 years this year. Basically our site, it hosts businesses and franchise for sale that has been listed by brokers, business owners, franchise groups and franchisees. Basically the last 23 years we have seen a lot of things happen. We have seen a lot of sites come and go, but we're still here and we're here for it.

Joanna: Love it. Yes, well, and some interesting news we have had in the very recent past, indeed, and we might get to some of that in a moment in terms of you know. I guess the opportunities right now are how the markets faring. But let's start back, I guess, at the basic. So when a small business owner is thinking about selling a business, what are the main ways that they can get inquiries, how do they find buyers?

Vanessa: So I guess when a business owner gets to that point that they're ready to sell, obviously they need to prepare that business for sale. A better-prepared business is obviously going to obtain a better sale price. When they're going through that process.

They also need to come up with a strategy about how they got to sell that business. There is obviously a few different ways to go about it. They can approach a competitor. They may get a better sale price going to a competitor, especially if they can realize the potential and the time that it takes to market to gain that market share to obtain the clients that you have within your business.

You can also sell within your own circle, so you can sell to your customers. You can sell to your team members you can sell to colleagues, you can set allied businesses, and then the third business is to go to open market, which is to place it on websites like bsale.com.au, and you send it out to buyers' databases. At the moment, I'd say there is 5 to 6 major business-for-sale websites that you can place your listing on.

So whether you're selling your business privately or going with the business broker, it's very important to get it onto the 6 major sites, because that's where the buyers are.

Joanna: Fascinating. Okay, and you know, get it on to all the sites. I'm hearing that.

Vanessa: Yeah. Our space is very different to real estate. I think if you look at the real estate sector, see? I'm: Sorry. realestate.com and Domain, pretty much dominate the real estate sector. So if you're on those 2 websites, you're going to get a lot of inquiries. But with business sales. It's very different. The people who are looking to buy businesses are different. The price points are different. There's everything from 50,000 to you know, 15 million. There are so many different price points for the person looking to buy the business is very different. So when you go to sell a business. That's why there are so many majors. There are like 5 to 6 major websites.

Because all of these websites cater to different people, different industries, and different sectors, which is why it's important to be on all those 5 to 6 sites.

Joanna: Great point. Great point, and I know you have based on market insights. What's that all about?

Vanessa: So the market insights give you an idea of the I guess the average price that businesses are listed for sale, either based on category. So there are cafes, restaurants, buildings and construction also based in the capital city. So you can look at Sydney, and Melbourne and also go to the States, New South Wales, etc. They gave you an idea, I guess, of what is currently on the market, and what you could, I guess, potentially list your business for sale for.

What's kind of interesting, though, in the business. Is there so much confidentiality? So why you can look at this starter and be like, okay cafes? You know, we take a look at cafes, for instance, there are 3,000 cafes for sale. It's got nearly 1 billion dollars worth of value in the marketplace, and the average price is only 300,000.

So it gives you a guide. You know what cafes are selling for what's out there. Average price. But there's also a lot of confidentiality in this space. So when people list a business for sale, we in the back end can say what it's listed for, because we need to. You know, organize our listings.

But that necessarily isn't, you know, a clear indication, because maybe this cafe has been listed a few different times. Maybe they listed it privately. Maybe they listed it with a broker. Maybe a particular broker has gone to list it a couple of times because they don't have to put up the address they don't have to say it's on, you know 1 George Street, Sydney.

There is that level of confidentiality which means that that is never ever going to be 100% accurate with business sales. You know maybe a top will tap into appraisals later. But that's what kind of makes it difficult to get clear indications of the data is that there is so much confidentiality.

Joanna: Hmm. Yeah, absolutely. But you know, I am just he listening to you, I can hear how much data you must be processed there. Yeah, and you know, data is key. Isn't it? So, anyway, I feel like there are another 6 podcasts in that one.

Vanessa: Well, we do love to talk so...

Joanna: Yeah, that must be it. And look a lot of what we're talking about today, you know, relates to innovation, and you know. I'm. I'm I love innovation. Innovation is one of the core values here at Aspect Legal, constantly looking at ways that we can invite the way we provide our services, but also I find the business sale and acquisition market is a market that is so ripe for innovation, you must say, have seen a heap of change over the last 2 decades and a lot of opportunities. So if we start with sort of the change. What, I guess does 2 decades in the business sale industry look like from your eyes or from your perspective?

Vanessa: Yeah. 100%. So back when we started back in 2000 newspaper was King where we live. So we're on the central coast, which is about 2 hours north of Sydney, where we live. There we had a local newspaper. We had a city newspapers, and that was basically the only way to really advertise businesses for sale or to try and buy a business. Back then business working wasn't big either. So real estate agents were the main point of contact for somebody wanting to buy and sell a business, and there just wasn't enough, you know exposure. So back then, my mom actually went and started Bsale. She led the front page. She built it from scratch.

And that was when dial-up was happening. So you'd be sitting there waiting for the dial-up to happen. And you know that's kind of when Bsale was launched, and then over the years at that point, realestate.com was building, and it was getting bigger. It has a business arm called Real Businesses.

And it was kind of, you know. It was the king in this space at that time, in about 2014 Real Business decided to close its doors, and it just went to focus on realestate.com and real commercials. So they kind of left our space.

When they left this space it opened up the doors for more business-for-sale websites to come, and more to be launched, which you know competition is great. There's nothing wrong with that some more you know business for our website came into this space.

And then today I'd say, as I mentioned before, there are about 5 to 6 major sites that have the traffic and these 5 to 6 major sites, You can find them easily if you just, you know Google business for sale Sydney business for sale. Melbourne, you know you'll see who's on the front page, and these are the sites that you need to be on as a buyer and seller.

Obviously over that time as well. What's happened is there are a lot more business brokers. There's been a lot more education in this space, a lot more understanding about what makes a business broker different to a real estate agent, even though the licensing in most states is the same like you have to be licensed as a real estate agent, and then they add on some business broking as well, and that's kind of how the licensing is working. There's still a lot of difference in a business broker's skill set, and what they bring to the table, and how they understand business. So I think in the last you know, especially the last, you know. 5 years have been a lot more education around what a business broker does, and what they bring to the table. And you know why a business owner should be approaching them.

Joanna: Yeah, and it's fascinating. Actually, we had. We had a podcast just recently with Max and Mike talking about, you know. I think they were talking about like 5 6 decades in the industry, and just fascinating, you know, to hear how the industry and how brokers as the whole have you know their role has changed, and you know the understanding of the market of the complexity of business sales has changed as well because it is a complex environment. The funny thing is, even, you know, really small business sales can often be quite complex, and you know, sellers and buyers, perhaps just don't really understand that until they get started down the path.

Vanessa: Yeah. And I think it's great as well. What the AIBB is doing. They. They're focusing a lot more on education these days, and there's a lot more. If a business broker joins the AIBB that they go through that onboarding process, whether they've been a broker for, you know, 10 years or 10 days. They all have to go through that initial you know, onboarding process which helps with the professionalism of business brokers. It helps, you know, solidify that profession and help, you know. Make sure they're all kind of on the same page in terms of how to actually go through the process. And how to use this client, which is it's great to say it's really good to see.

Joanna: Yeah, it is. It is absolutely. And actually, it's funny that you talk about going through the process and going through the systems because it's a funny thing. It's also the case from a legal perspective in working business sales that there is very little defined, clear, define processes that are in place for the triangle as a whole which I find fascinating. You know we've created some really detailed processes internally, but this is something that's not been available in the market place. And now it's just like it's a fascinating industry. Complex deals.

But not this clear strategy, you know, on the process from so many elements of you know the process.

Vanessa: and I think that's so interesting, because if you look at business sales as well like they are not all just in capital cities, you know we have businesses that sell out in country towns and small towns, and if you think about your country pub.

Vanessa: it can be selling, for you know if especially if it includes a commercial aspect, it can be a 1 million dollar sale plus, and you know, solicit is in that area, maybe not a quick to deal

with that kind of sale, which is why I think it's so important. Why, we particularly advocate that if people are buying us, selling a business. They have to go to a commercial lawyer, because there's just that understanding that you know a general, you know, solicitor or conveyance, and just doesn't understand? Or they got to miss something.

Vanessa: And you don't want them to miss something when you're talking about such a big asset.

Joanna: Yeah, Absolutely absolutely. Well, of course, I completely so with that concept of innovation. Then I'm interested to hear what you're doing at the moment. That's in a video, you know. I see you a bit of an innovative thought leader. Yeah. And I'd love to talk about what some of those things are that you're doing at the moment. So he just with that. What are the processes that you're looking at?

Vanessa: So I'm always full of ideas. One of those it's got to be that business owner. Mindset right that entrepreneurial. Always think of your ideas always, and keep things, and I think for us. So if you have a look at it, let's say the listings on Bsale out a lot of the listings. If you look at those market insights, a lot of them are in the sub 500,000, and as we said before, there's not always access to the right solicitors that know how to deal with that transaction. So one of the innovations we want to look at is kind of streamlining that process to help people who are selling a business. Let's say sub 500,000. How to go through that whole process of you know, confidentiality agreements term sheets contract of sale, because that's what gets the business sold

Vanessa: like. Yes, there's a negotiation. Yes, there's finding the buyout. But without this legal work, the business doesn't get sold, and that's also when the deal can fall through when they're going through that due diligence when they go into that process. So in terms of sellers, we want to help sellers in that space so that they can. It's a clearer process than what's currently available.

There's also if we go, I'll look at the buyer side as well. It's a lot more work that can be done with buyers' buys. It's really interesting, because if a buyer isn't ready to buy the sales gonna fall through if they don't have the finances in order. If they don't understand the process, I think a lot of the time buyers

It depends on the buyer's rights like they can be buying their first business. They could have been a business line, a Sol buying they could be, you know, a company looking at mergers and acquisitions. It depends on you know, the level of understanding. But I think especially this time of year with New Year's resolutions. People are out there looking, you know, to buy a job to change their careers. We get the highest traffic in January just because they need resolutions.

Vanessa: Whether these are the real buyers, and when they actually buy a business, or they just dream of a different life. You know it's those people that need that help and need that education because if buyers aren't actually fully committed, and they just daydreamers, you know we call them to tie kickers. Then it's why so much people's time, so there's also a lot of innovation to be done to take care of bias to help buyers understand how much money they can actually access. You know what type of business is right for them like. If they have, they've never made a coffee in their life so they're looking at a cafe for sale.

You might want to think it's a great idea to go and buy a cafe in a country town. But if you've never worked to date a cafe maybe try that first. You know I may like this. There's a lot of work there to do with buys as well in terms of innovation. And then I think the other innovation is just it's around education. There's still so much education to be done, especially if we go back to the sellers again when they're selling a business.

The first thing they want to know is, what can I get for my business? It's always the first point. The first point should they had, or prepare my business sale because you know, preparation can take 3 months, 6 months, or 12 months, depending on the size of the business. You know

the issues how to actually take that owner out of the business at you know if you're running a bakery and you're in the bakery 60 hrs a week you know you're limiting who your buyers can be like another baker unless you can find a way to move out of the business. Put somebody else in as the head baker, and you know then you can maybe open it up to investors. You can open it up to other buyers, you can. You know you've got to strategically think about your business and how you're going to sell this asset that you have.

So there's that whole preparation work around it. And then obviously, you want to know what you're gonna get for it. And the interesting thing with appraisals is, let's say you want to go with a business broker. There is this issue in the industry that if you go and approach a business broker, I guarantee in that conversation somewhere, the broker says to you, what do you want to get for this business?

And I'd say 9 out of 10 Business owners have a number in their head they'd be like. Oh, I want to retire. I want to go by, you know, land cruiser or I want to get a caravan, you know. I want to go around Australia. I need 300,000, or I need 500,000, or whatever it is, and some point that'll come up with the conversation. So then, when a business broker will go to the appraisal.

It will somehow come back around about that figure because they want the listing. But a lot of the time that this is his idea of what their business is with is often inflated. They often there's that emotional attachment, you know. I have to do those difficult clients. I had to source this product all the work I did, and the sleepless nights. We all understand that it's hard work, and we feel like we want to get paid for that hard work. But unless the figures are there, the business is not gonna sell for that value right? So there are issues around appraisals, how we can make that appraisal process better, and how it can be more like, instead of just the broker trying to get the listing and then, later on dealing with the processing issues.

How can we get better appraisals? Because the issue is like, I said before, confidentiality, a lot of businesses for sale. Either you don't really know the real price they're selling for you. Don't know the real price they sold for. Don't even really know where that cafe is.

Because it was never said exactly where it was when it was put on to mark. There's so much confidentiality, so getting comparable is difficult. Getting sold. Data is difficult. The AIBB is doing a good job in trying to get that sold data, but it's not as easy as real estate. You can't just go Look at what the 4 bedroom you know house up the road. So for it's not that easy. So there's this, you know, the inherent problem with appraisals that I think you know. It just needs work. It's one of these. It needs looking at.

Joanna: And what are your ideas? How that can be changed? Obviously you, you know I totally agree. It's a problem hard to solve, though. What are some of your ideas?

Vanessa: It's a hard one to solve, because it's always been there, and I think it'll always be that because of the confidentiality issue. I have ideas about how we could address it, and it's one of these business brokers. All need to work together because I think what happened is to get the listings Business brokers to work against each other, so they like they would tell a business is worth 500,000 to get the listing they broker up the road is like I could definitely 400, Max.

If you're the business owner you're like. Well, if he's saying 500, that's better. So business owners are also kind of, you know. They're gonna go for the highest value. Then maybe goes in the market for 6 months, and then they're like oh, no! We got dropped to 400. The original broker is like I told you from the start. But you didn't want to hear my advice. So it's really interesting.

Things to the fact, like real estate agents, argue it better because I've got comparable business sales. It's very hard to get comparables. I have ideas on how we can address it, and I think this year we'll probably come out with some of those ideas.

Joanna: But it's back to that. All the data points. Well, let's go on to having a quick chat about

the market. Then how do you think the market is faring at the moment?

Vanessa: Well it's the start of the year? And this side of the year is always that excitement? Right? It's always like. What are we going to do this year? What are we going to achieve? How we're going to? You know what's going to make a difference to us this year. So obviously traffic is tight at the moment with wise looking.

Joanna: Yeah. And on that, because you mentioned that before that you you know that that this is the train for the highest January being the highest month of fire activity.

Can you see your figures and the types of businesses that are getting that activity? So is it the buy job market, or is it you know, a bigger size business market, Is it all of them? Or is it only one of the segments?

Vanessa: Yeah. So this interesting thing. We can see it. But when you look at businesses for sale, this it's so skewed. If you look at the hospitality industry Cafes Takeaways restaurants.

For restaurants. I just quickly look at the data the first ones have. There are 2 and a half 1,000 listings, 3,000 takeaways, and 3,000 caf cafes and coffee shops.

Even if you try to compare them. Kind of trying to compare apples with cheesecake. You can't compare it, because even if there's increased interest right in the building and construction, there's always going to be more people looking at cafes just because of the sheer number of cafes available.

If that makes sense, it's very, you know, hard to compare. If you got 4 bedroom houses, a lot of 4 bedroom houses. But you know what I mean. Like trying to compare different industries when there are different numbers for sale like there's a lot more hospitality and a lot less building in construction, or a lot less cleaning or a lot less. It's very hard to compare.

Joanna: I guess it'd be interesting to say, you know whether or not that by an inquiry per industry type changes you know, seasonally, it would be interesting. Anyway, there are some data points as well.

Vanessa: There's another data to look at.

Joanna: I know! Hahaha Okay, all right. So January, the hottest time for buyer activity, looks like across the board without getting granular in the data which you know might be available at some point and what else are you saying?

Vanessa: I think. What's really interesting, I guess if you talk about the market as a whole, it's interesting to see, there's an if you look at, let's say business broking. There are some big movements happening with business breaking. They're doing very good jobs, I guess. Increasing education, trying to educate business owners. A lot of podcasts coming to a lot of Youtube channels.

A lot of you know, ebooks and things coming out with people, you know business brokers trying to share the expertise, which is a great thing because I think the more that that can be shared, the more that you know business owners can make better decisions, and I think this year will be a good year. I think we finally, during I think Covid spur on a lot of this education because people like it's everyone's going online. There's so much more online tech there, so much more to be done. So this year. I think it's going to be very good for you for business sales. There's also a lot of talk around because obviously interest rates are growing up. There's inflation. It means that you can Also, when investors are looking they can start making more money out of buying a business than either going into real estate, and everyone's talking about the real estate plateau. Now, real estate going down. So investors are looking at otherwise, and business is one of those key ways. This business, you know. It can. Still, it's still doing well. It doesn't necessarily get affected.

It depends on the industry right? It depends during covid some businesses flew if you did PPEs if you were in that space businesses flew, Zoom flew like those businesses that flew, and then businesses that struggled so it's the same. It's the same. now, right like inflation might be going. Inflation might be an issue of interest. It might be rising, but it's still businesses doing very well.

So investors are looking at buying businesses, and this year will be a good year for investors to be looking at businesses.

Joanna: Well, we've certainly seen a really buoyant market right now. We are seeing a lot at the moment, a lot of activity going on. I'm the world's most internal optimist. But I was getting a bit worried last year for a while. So you are like this I'm getting a bit annoyed with this. You know the event after event, Covid. And then more than you know. Now inflation. And you name it. Issues getting access to finance for businesses, those sorts of things, but I was just like I'll be interested to watch this space. My early indications on the year. I actually think it's looking really buoyant, and my fingers are crossed that it continues. We all cross our fingers on that one.

Vanessa: before that innovation on the buyer side, because buyers need to be aware of what they can actually borrow like a lot of businesses. They need finance like there's no point going through due diligence and looking at a business, unless you're certain, or at least to an extent, about how much finance you can borrow, because it's all still going to be based on your personal circumstances. Yes, it's based on the business you're buying but a lot of the time it's based on whether you've got equity in your home, whether you've got enough money in the bank, how you gonna actually finance to buy that business. And yes, there are earn-out periods. Yes, there are other options. Also, I like your experience. If you've got 20 years of experience in food production, you're pretty well probably set to buy a food production business but maybe it'll set to buy a building company like. But as a buyer, you need to have an understanding. How much money do I actually have? Why am I looking at a 1 million dollar business? When I cannot get access to that kind of finance. So I think that's also an important point that that's also what can help. You know, this market is the buyer's understanding

Joanna: 100%. A great, you know we've had. Towards the end of last year, we had a number of deals that fell over just because of finance. Yeah, it's, boy. It's just a huge waste of everyone's time, time and effort. And yeah, you know, it's very painful. It's very painful for sellers. It's very painful for buyers, painful, for everyone. So you know it. It's an issue that needs to be solved. And and you know I think it's problematic because some of these businesses, right businesses would have worked really well with the buyers who are on them, but just had issues accessing finance.

Vanessa: I just got to say One of the important points of that, I think as well as when somebody sells a business they need to be prepared for the long process. I feel like a lot of sellers don't understand how long it takes. By the time you've prepared your business to sell it goes to market. It can be 6 months, 9 months, or 12 months until you've got a buyer, and you've actually got the sale. And as a business owner, you need some real gumption to get through those months like if sales start to drop off. If you've put a manager in place and you've stepped out of the business and your sales start to drop. Guess what's gonna happen. The buyers not gonna want to pay the price that they originally wanted to pay, so I think so, as well Sellers need to be ready and be like, okay, this is gonna be a hard year like it's like, just set your mindset if it's going to be a hard year to market it to find the buyers go through due diligence, get over the line because if you let it dwindle off in those months because a lot of you know the business line is, it's natural You get burnt out. You get sick of that. You don't want to serve another customer. You don't want to deal with your team like you just get tired and you get this burnout, but owners have to be careful not to let that happen. Owners have to be ready for that whole year, like just mindset of a year long. If you sell it quickly and great like. It's a bit of a holiday, right?

If not, you've got to be ready for that year, and I think that's a big point as well, because like you said your deals fell over because of finance then what's gonna happen? The buy seller is still having to sit on the market. They're gonna have to go back to the market, running that business

like a house. You have a 4 bedroom house. You don't sell it. You are just left to it sitting there, but if you don't your business. Your business has to keep running.

Joanna: Yeah, look totally agree. Deal fatigue is there, and it is real, but also for taking the business. You need to keep it running and strong so that if plan A doesn't work out, you still got a real strength for plan B. I say, have lots of plans ready just in case.

Well, look huge thank you, Vanessa, for coming on to the show today. Why don't you give us just a really quick download of what Bsale is and how our listeners can get in contact with you?

Vanessa: So, basically Bsale is a business-for-sale website, our clients and business brokers, owners, and franchise groups. They come and advertise on Bsale but we're very much as well into this education space these days. So if you're owning a business, and you're thinking about exiting or buying or selling, or basically anything in that transactional period.

We're all here for it. We have a Buy monthly magazine that comes out Buy Business Brokers. There's professional advice in there. Our hub is full of advice. So we are very much about education, this space. And then also obviously connecting buys with sellers.

Joanna: Love it! Okay, and how can we contact you?

Vanessa: Just go to Bsale.com.au. You reach out at any of our socials or LinkedIn and our team will be there.

Joanna: Excellent, okay, wonderful. We will obviously link through to that in our show notes. So if you are running along the beach, lucky you! or maybe on your commute to work, don't worry the traffic will sure clear up soon. We have the links in our notes so you can go when you are ready. Go and click through and make contact with Vanessa and Bsale. Vanessa, I just want to say thank you for the show today.

Vanessa: It's been a pleasure. Thank you, Jo.

Joanna: Well, that's it for this episode of The Deal Room podcast. We hope you're now prime for your next deal with these pointers and have enjoyed these fascinating insights. Now if you'd like more information about this topic, then head over to our website at thedealroompodcast.com, where you'll be able to download a transcript of this episode as well as access any contact details and any other additional information we referred to today's podcast. Now, if you'd like to get in contact with our guest today and the services they offer, you can go ahead and check out our show notes for a link right through to them and their details. You can also book indirectly with our Legal Eagles at Aspect Legal. If you'd like to soundboard your next steps, discuss a legal question or find out more about how we can assist whether that's with buying or selling a business or perhaps somewhere in between. Now, don't forget to subscribe to The Deal Room podcast on your favourite podcast player to get notifications whenever a new episode is out. We'd also love to hear your feedback so please leave us a review and rating if you're already one of our subscribers or even if you're listening to this podcast for the very first time. Every review helps our team produce valuable content for you. Well, 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.