**Selling Your Small Business? 7 Reasons to Avoid Overpricing**

When it comes to selling a business, one of the biggest challenges for owners is determining the right value. Many business owners have an inflated sense of their company’s worth, which can lead to setting an asking price that is too high—or in some cases, too low. Whether you believe your business is worth $2 million or $20 million, it’s crucial to seek an expert opinion to establish a fair market value before starting any discussions with potential buyers.

One of the first questions we get from prospective sellers is, “*How much is my business worth*?” The process of valuing a small business accurately is often the most challenging aspect of selling a business. Many owners hear anecdotal evidence, like “A competitor sold for five times revenue,” or “My industry standard is at least seven times profits.” However, these numbers are often unrealistic and not grounded in the true value of the business.

Some common justifications we hear from owners about their business’s value include the number of years in operation, gross sales, or unique services offered. While these factors might contribute to the overall appeal, they don’t necessarily translate to a higher sale price. Emotional attachment to a business—years of hard work and a vision for the future—often clouds an owner’s judgment in setting a realistic price.

While the goal of selling your business is to maximize your financial return, overpricing is not the best strategy. Here are seven compelling reasons why you should avoid setting a price above the actual value:

1. **You Won’t Get Offers (But Others Will):** Overpricing your business can actually drive potential buyers to purchase from your competitors. If similar businesses are listed at lower prices, buyers may choose them instead, even if they preferred your operation.
2. **You Lose Credibility:** Buyers today are savvy and well-researched. If your asking price is unrealistic, they may not take your business seriously, and may not even bother to inquire.
3. **Not Every Buyer Wants to Negotiate:** Some sellers price high, expecting to negotiate down. However, if your price is out of a buyer’s range, they might not even consider your business, leaving you without any offers to negotiate.
4. **Overly Optimistic Brokers:** Be cautious of brokers who agree to an inflated price just to get your listing. These “sign brokers” often come back later to push for a price reduction, leaving you disappointed and frustrated.
5. **Your Business Gets Stale:** If your business sits on the market too long, it raises red flags for buyers, who may assume there’s an issue. This “stale” effect can reduce your chances of a successful sale.
6. **People Won’t See Your Listing:** Buyers often set search parameters based on price. If your business is overpriced, it might not even appear in search results, missing out on a pool of potential buyers.
7. **The Business Won’t Appraise at the High Price:** If your buyer needs financing, the lender will require a business valuation. If your business doesn’t appraise for the asking price, the deal could fall through, leaving you back at square one.

To ensure a successful sale, it’s vital to meet with a business advisor who specializes in selling businesses. They can help you set a realistic price based on an accurate valuation, so you enter the market with confidence. Remember, being realistic about your business’s value is key to attracting serious buyers and achieving a successful sale.

**Learn More About Selling Your Business with Us**

If you’re considering selling your business, contact us today. Our professional business brokers are here to guide you through every step of the process. You can also download our free Fact Sheet for more information about how we can assist you. (insert fact sheet and links)