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## **ESSENTIAL STEPS TO GET THE MOST FROM YOUR FRANCHISE RESALE**

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# INTRODUCTION

Every franchise owner reaches a point when it is time to transition out of their business. For some, this day marks the time to retire. For others, it simply marks a time for moving on to something different, a new chapter. In either case, it's an exciting time in life where you recognize the fruit of your labor and are rewarded for years of hard work.

If you have decided it's time to cash out of your franchise and move on to other things, or believe that day is not far off, you probably feel a sense of excitement and anticipation, as well as a sense of uncertainty. Selling your franchise is a thrilling point in life that can leave you a bit unsure about specific steps to take and how to get the maximum value for your franchise.

You may be asking yourself: How much is my franchise really worth? How do I go about selling my franchise? Where can I find expert advice and relevant resources to help me through this sophisticated process? And, how do I do this without having to pay an arm and a leg?

In the pages that follow, we outline the 3 ESSENTIAL STEPS YOU MUST TAKE when you are ready to cash out of your franchise. Read on and learn how to value and price your business, find quality buyers, and maximize your sale proceeds.

# STEP 1

## UNDERSTAND THE VALUE AND PRICE IT RIGHT

One of the first determinations in selling your franchise is to establish the optimal listing price so you can attract buyers and walk away from the closing table with the maximum possible benefit.

Setting the listing price for your franchise can be like determining the sales price for a treasured car. Consider your first sports car or your favorite luxury vehicle. You paid for it, enjoyed it, and have fond memories of it, despite the occasional breakdown and maintenance requirements. The vehicle served its purpose for a time, but you eventually had other needs, other preferences, other ambitions.

Because of the vehicle's unique value to you personally, you probably didn't auction it off as fast as you could for pennies on the dollar. You first thought about what you needed to get in return for letting go of it, what the right buyer would be willing to pay for it, and looked at what other similar vehicles were selling for. Then you probably listed it on the higher side, knowing you didn't have to sell it in a rush and hoping you would get top dollar.

Listing your franchise can be approached just like listing your treasured car for sale, so long as you aren't desperate to sell quickly. To arrive at the best listing price for your franchise without excessive hassle, we have 3 simple pieces of advice:

1. Know what your franchise is worth to you
2. Understand what your franchise is worth to others
3. Aim high and validate

## **KNOW WHAT YOUR FRANCHISE IS WORTH TO YOU**

It is important to consider what your franchise is worth to you before you sell it. When you are ready to move on, but don't have to close a deal quickly, time is on your side so we suggest you start with the end in mind.

Consider at what price is it worth selling and moving on? Dream about this a little. What will you be giving up financially when you leave the business? Will the net cash at closing enable you to "do your next thing" and will it offset your loss of income if need be?

Knowing "your number" can keep you from selling yourself short. Believing in the value of your franchise and knowing what it is worth to you personally will also help negotiate with more confidence when discussing the price and terms of the sale with a buyer.

## **UNDERSTAND WHAT YOUR FRANCHISE IS WORTH TO OTHERS**

Unfortunately, the amount of money you want from your business when you sell it doesn't usually justify the value to a buyer. A buyer will look at the value a bit more objectively.

Most buyers will evaluate the value of a business based on the tangible benefit they can expect to receive, most notably, their earnings. Consequently, the sale price can't include a bunch of blue sky. Most competent buyers won't fall for it.

However, there are also other significant factors involved in evaluating a franchise acquisition. Most buyers have certain criteria they are looking for in a business, such as the number of employees, the type of work involved, where the business operates geographically, and much more. Ensuring that your listing includes such non-financial intangibles can make all the difference.

To a serious buyer, finding the right business can be like finding the perfect, rare sports car. Sure, the value has to be justified in



the numbers, but when they find the right one it is worth more to them so they pay a reasonable premium for it.

## AIM HIGH AND VALIDATE

Unless you have a tight timeline for completing a sale, set your listing price on the higher side at first and see what happens. Aim high, but be reasonable. At the end of the day, the true value of a business is what someone else is willing and able to pay for it.

To attract competent buyers, you want to validate your listing price to make sure you are in line.

There are 4 specific things you can do that will guide you in setting and validating your listing price without having to endure a lengthy and expensive valuation process:

- **Ask your franchisor for their valuation or recommended sales price.** Many franchisors provide a simple rule of thumb or formula for valuing franchise resales. If your franchisor offers guidance in this way, it is likely the simplest and most reliable source for determining your sales price.
- **Compare.** First, look for recent sales within your own franchise system that you can compare to. This is similar to what you might do with recent home sales in your neighborhood to get an idea of what your home might sell for. Other sales in your franchise system are great reference points. Sometimes this information can be difficult to obtain, but your franchisor, and possibly your fellow franchisees (buyers and sellers), should be able to provide some helpful info on recent resales.

Second, look at other similar franchise resale listings. Peruse the Franchise Flippers marketplace for other similar franchises so you can get a sense for how they are valued. It's not a scientific approach, but you might start to see patterns or get a feel for what type of multiple (3X Net Income, 4X Net Income, etc.) might be common for businesses similar to yours. Regardless of where you search, stick to evaluating and comparing resale franchises rather than non-franchise businesses.

- **Use a free business valuation tool.** Franchise Flippers offers a free Quick Valuation Tool to provide another reference point in validating your price. There are also other free valuation calculators you can find online, although they may not be specific to franchises. A free online valuation calculator might not replace a comprehensive valuation provided by an experienced business valuation expert, but it is a great way to get a quick range of what your franchise resale might be worth without having to spend a lot of time or money.
- **Get a broker's opinion of value (BOV) or professional business valuation** from a trusted valuation advisor who understands the nuances of selling an existing franchise. A BOV may not be necessary if your franchisor provides a valuation standard or reliable rule of thumb. However, a qualified business valuation expert can provide you with a comprehensive valuation analysis and report that will be beneficial to you and to potential buyers. The valuation process does take time, and may even require a fee, but can be worth the investment, especially if there is little guidance or a lack of “comps” from your franchisor. If you believe your business is worth over \$500,000 and there is not an established resale standard in your franchise system, we strongly recommend getting a professional valuation.

***Remember, simply listing your business is not a contract to sell it. Determine a reasonable listing price, list it, and let the market provide feedback. You can always adjust the price and terms in your listing. The best way to get your business sold is to get it listed so buyers can see it and provide feedback.***

**LIST YOUR FRANCHISE  
FOR SALE**

**GET A QUICK  
VALUATION**

# STEP 2

## LIST IT RIGHT - GET IN THE SPOTLIGHT

Where you list your franchise for sale and how the listing is presented will have the greatest impact on the quality and quantity of leads you receive. Do not neglect this critical step. To generate quality inquiries from potential buyers, follow these 3 key tips when selecting and creating your listings:

1. List it now
2. Stand out
3. Create an engaging listing

### LIST IT NOW

Opportunity is knocking. Potential franchise buyers are scouring the internet every day for the right opportunity and the perfect fit for their new business. Each day that passes without your business listed for buyers to see is an opportunity lost.

Even if you're not quite ready to cash out, you can still create a listing and start to stir the pot and get some feedback. Anyone who views their business as an investment should consider always listing it for sale. Wouldn't you sell your business now if someone came along with the right number? Whether you want to sell in the next 6-12 months or sometime in the next 1-2 years, the best thing you can do is list your franchise now and start fishing for the best buyer.

### STAND OUT

There is no shortage of good businesses for sale. To actually sell your franchise, you need to do more than just post an online listing on a generic business-for-sale website where you will be lost among tens of thousands of other businesses.

Fortunately, you are a franchise owner. Marketed well, your business can stand out in the crowd because of the brand, system, and credibility associated with a franchise. To capitalize on this advantage, you need to list your franchise on a franchise-centric marketplace that removes the masses of unbranded non-franchised businesses for sale so that your ideal buyers can find you.

Further, be sure to list in an environment that does not compete with you by featuring new territories offered by franchisors. When it comes to deciding where to list your franchise resale, be a bigger fish in a smaller pond and attract focused buyers looking for existing franchises.

## CREATE AN ENGAGING LISTING

Standing out from the crowd also requires the creation of an online listing that buyers find attractive and intriguing. The information you provide in your listing, wherever you choose to list it, is absolutely critical in boosting the interest of buyers so they will “knock on your door” to learn more. If your listing can get a potential buyer to dream about a fun and prosperous life in your franchise, you’ve created a great listing!

The good news is setting up a great franchise resale listing can be done in 10-15 minutes. It doesn’t require hours of gathering information beforehand. Follow our practical tips outlined below, and you will quickly have the perfect online listing that will grab the attention of potential buyers:

- **Provide your franchise brand and logo in your listing.** Certain items may need to remain confidential, but being up front about important information like the name of the franchise helps establish credibility and clarity in the eyes of buyers. Providing the logo also makes your profile more visually appealing. If you don’t have a truly compelling reason to hide your franchise for sale, provide the name and logo in your listing.
- **Provide multiple photos in your listing.** Photos help buyers visualize your business and identify with it personally. Include photos from inside and outside the business. Show a calm but active environment with smiling employees

and/or customers. Outdoor pictures should be taken on a sunny day and show the store front and even the surrounding area if you are in a shopping center or office park. It is also helpful to provide photos of equipment or other assets that might be of importance to a buyer. You can also find and use pictures that help create a positive image of your business, even if they're not actual pictures of your business (think like a marketer).

Tip: Quality cell phone photos are perfectly acceptable. Horizontal photos usually look the best.

- **Offer a variety of operational and financial data** that will be helpful for a buyer to understand the basic ins and outs of your business, such as the number of employees, approximate value of assets and inventory, lease & rent information, and how long you have been in the franchise. If you want buyers to really give your franchise strong consideration, provide more than just the revenue, profit, and asking price that every listing provides. Create a complete listing.
- **Offer transition support** in your listing so prospective buyers know you are willing to help ensure a smooth transition.
- **Describe your role in the business** and your time commitment so potential buyers can better imagine themselves in your shoes. If there is flexibility in the type of role or in the degree of involvement for the new franchise owner, be sure to communicate this in your listing. Be transparent about your involvement, but be sure to focus on the positives of your role.
- **Share achievements and awards** for which you and/or your franchisor have been recognized. Franchise rankings, growth statistics, industry recognition, and any individual franchisee awards should be mentioned in your listing.
- **Indicate if you would be willing to consider providing seller financing** on a portion of the deal to the right buyer. You don't have to commit to or promise anything in your listing, but if you would consider providing some degree of seller financing to a good buyer make sure you communicate it in your listing. It is not uncommon to provide at least 10% seller financing.
- **Share your reason for selling.** Buyers are always interested in knowing why sellers are exiting their business. Whether

you are cashing out and retiring, have other obligations, or are simply ready to pursue a new chapter in your career, don't be afraid to communicate it in your listing.

- **Highlight what you love about your business and your franchisor.** A good listing will provide a place for you to do this. Think about things like the training, systems, tools, support, relationships, etc. that your franchisor excels in. Or, what about the money? Share this in your listing profile. It may be helpful to think about why you initially bought your franchise and remember what excited you early on in the business. These things are also likely to be attractive to other buyers.
- **Highlight what others may love about your business and the franchisor.** Certain elements in your business less significant to you may be extremely valuable to others. For example, if you were a retiree selling your house in a neighborhood that is full of kids, you may not place a lot of emphasis on it being a great place for families with children. However, certain buyers will find extraordinary value in moving to a neighborhood full of kids. You wouldn't want to miss the opportunity to attract those buyers. The same holds true for your franchise.
- **Describe specific or unique opportunities for growth and improvement in the business.** Most buyers have aspirations and expectations to grow the business they buy. Your listing should communicate what some of these opportunities are.
- **Share your franchise listing on social media and in email blasts to maximize exposure.** A good listing site like Franchise Flippers will offer to do this for you, helping you to get more of the right people looking at your franchise for sale.
- **Upgrade your listing** to include a featured display ad or promotion to the top of the listing pages. Featured displays and priority listings can help your profile get more looks.
- **Choose a listing option that will let you "list until it sells" without ongoing fees** so that you can sell on your timing and terms and don't feel pressured to continue to pay for your listing.

- **Keep the listing fresh.** Periodically add new info, update pictures, and improve content. Your listing profile doesn't have to be perfect, but don't be afraid to continually add to it and improve it.

*The key to finding good buyers for your franchise resale is to get it listed, stand out from the non-franchised businesses, and engage buyers with a compelling listing. If you don't have all the information readily available to complete a full listing profile, list it now with what you do have available, and then update the rest later. The worst thing you can do is nothing.*

**LIST YOUR FRANCHISE  
FOR SALE**

# STEP 3

## MAXIMIZE YOUR PROCEEDS AND TAKE IT TO THE BANK

Whether you are ready to move on in less than a year or you are planning to transition out in the next few years, this final step is imperative. From now until you get to the closing table, you have the opportunity to enhance the value of your franchise, and thus put yourself in a position to attract better buyer candidates, demand a more favorable sales price, and negotiate more desirable terms.

This step is like getting your sports car ready for an interested buyer to come look under the hood and take it for a test drive. It's like detailing your car and getting the maintenance up to date so serious buyers, and their lenders or investors, like what they see. Here's what we recommend:

- **Talk to your accountant and discuss the tax implications of selling your franchise.** It is important to understand and plan for the tax obligations you may have upon completing the sale. You are most concerned about how much money you get to take to the bank, not how much money the contract says. Additionally, there may be actions you can take now or ways to structure the deal that can reduce your tax liability when you sell. Knowing these options before engaging with a serious buyer will be to your advantage.
- **Get your books in order and prepare financial reports.** Most buyers will want to see 2-3 years of tax returns, P&L's, and balance sheets. You may also want to prepare a list of inventory, equipment, furniture, and other assets that will transfer with the business. If you have these items ready to share with interested buyers, it will help accelerate the due diligence process and show buyers your business is organized and well-operated.
- **Freshen up the physical location, equipment, and signage.** You may not be eager to invest significant time or money into refurbishing your entire business just before you sell it, and that is OK. Think of this as getting a haircut, taking a shower, and shaving before a date. It's not a huge investment of time or money, but it does make a difference! Don't



get overwhelmed, but do consider some impactful improvements you can make that will protect or increase the value to a buyer. For starters, ask yourself the following:

- Is the signage and decor (inside and outside) fresh and orderly?
  - Are uniforms and attire neat and new?
  - Are company vehicles & equipment clean and in good working order?
  - Has the operation been deep cleaned recently? Windows, carpets, desks, bathrooms? Ideally these items are always kept spotless, but it's easy to overlook these things when you are busy running your business.
  - Is there clutter (trinkets, files, extension cords, etc.) that has accumulated over the years that needs to be cleaned up or removed? What will buyers notice when they walk in?
- 
- **Evaluate the discretionary expenses you are running through your business and consider making adjustments.** A buyer may be comfortable knowing that you run your family's personal vehicle expenses, auto insurance, cell phones, and other expenses through the business. However, their lender is more likely to stick to what your books and tax returns say. This may impair the amount that can be financed by a buyer. Since it will likely take at least 6 or more months before you close, you may be able to increase the value and transferability of your business by cleaning up your "business expenses." This is a good topic to discuss with your CPA first, as it can also have tax implications.
  - **Dig up your lease**, if applicable, and be familiar with renewal dates and assignment requirements. A buyer will eventually ask about your lease and want to review it. If there are questions about assigning the lease, talk to the property manager or landlord so you can ensure a smooth transition and avoid any snags.
  - **Secret shop your business.** Call, visit, and/or use your own service as if you were a customer. If you are part of the daily operations, have a friend or family member do this, then ask for their candid feedback. Look at your business as if you were about to buy it. See it through the eyes of your future buyer and address anything that needs improvement.
  - **Evaluate how well you are following the franchise system** and get back on track where necessary. For example, if the

franchisor requires business hours from 10am to 8pm and you are only operating from 10am to 6pm, adjust your hours to meet the franchisor requirements. Buyers who see that you don't follow the franchisor's system may conclude you have cut corners in your operation, or they may question the credibility of your franchisor and their business model.

Making these relatively small investments now will maximize the value of your business and can be the difference of tens of thousands of dollars, or even hundreds of thousands of dollars, when you are taking it to the bank.

## CONCLUSION

Moving on or cashing out from your franchise is a significant life event. Taking these 3 steps will help you finish this chapter strong, start your next one from a position of strength, and enable the buyer to successfully continue what you built.

Understand the value. Stand out from the crowd. Take as much as possible to the bank!

Franchise Flippers is the world's premier franchise resale marketplace and resource center. We are dedicated to helping franchise buyers and sellers get win-win deals done.

Our simple yet engaging listing site, along with our comprehensive resource center, are the perfect solution for every franchise owner ready to sell their franchise.

**LIST YOUR FRANCHISE  
FOR SALE**



# YEARS OF HARD WORK ARE ABOUT TO PAY OFF

You've built your business.  
We'll make it easy to sell.

[LIST YOUR FRANCHISE FOR SALE](#)

# FAQ

## How long does it take to sell a business on average?

It often takes 8-12 months to sell a business. However, by following our 3 critical steps of Price it Right, List it Right, Show it Right, you will be well on your way to speeding up your time frame. Plus, with the Franchise Flippers' "list until it sells" philosophy, you don't have to worry about expensive renewals.

## 8-12 months is a long time! What can I do to be seen by more people and speed up the process?

Set up a Premium Listing on the Franchise Flippers Marketplace so you get maximum exposure by being showcased at the top of the listings page. You can also help drive additional traffic to your profile by using the "share this" feature to drive people to it from social media. Spread the news about your franchise for sale by sharing the link to your Franchise Flippers listing everywhere you can think of and by asking others to pass it on. The more aggressive you are in getting your listing in front of others, the more likely you are to sell it quickly.

## What if my asking price is too high and doesn't get enough interest?

After following the advice we provided, we recommend you start with a price you are comfortable with and see what happens. If you don't get many inquiries, or get a lot of price sensitive feedback from buyers, then you can always lower it. Pick a number you can live with and see what happens.

## I don't have all the financial and operational data for my business handy. Do I need to provide complete and precise information before I go live with my listing?

Providing reasonable information that makes a fair representation of your business should be your goal. You don't need to dig up old tax returns and financial reports to get your listing live. One of the keys to selling your franchise quickly is being visible to others. Spending significant time gathering all the details before creating and posting your listing can be costly. We recommend creating your listing now with the information you know and have handy, and then adding or updating any additional data later.

## Can I leave off my brand and just list the type of business?

The short answer is "Yes." You don't need to provide your brand name in your listing, but it is better to provide as much clarity as possible about who you are and what you do. Unless you have a truly compelling reason to hide the name of your business (which cannot remain anonymous indefinitely), we recommend you provide your brand name in your listing to attract more buyers.

List for franchise for sale today  
at [franchiseflippers.com](https://franchiseflippers.com)

