

HOW TO BECOME A

**BUSINESS BROKER
IN CALIFORNIA**

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Introduction

If you consider becoming a professional business broker, congratulations! There is no better time than now to enter the exciting and rewarding career of business brokerage.

This guide will provide you with information on how to start a successful career as a business broker, as well as, education, available certifications, and licensing requirements in California.

Business Brokerage Career

A business broker acts as an intermediary between business buyers and sellers and facilitates the sale of small to medium-size private businesses.

The process of selling a business is similar to that of selling real estate, but it involves more steps. A business broker handles an entire process of selling the business including, business valuation, packaging, confidential marketing, qualifying potential buyers, negotiations, and closing.

Business brokers traditionally represented sellers; however, buyer representation is becoming more common.

INDUSTRY OVERVIEW & OPPORTUNITY

IBIS World predicts that the business brokerage industry revenue is anticipated to grow to \$1.4 billion over the next few years.

There are 12 million baby boomers (the generation born between 1946 to 1964), who own businesses, and 70% of them will retire within the next few decades. We are experiencing the greatest transfer of wealth that the world has ever seen. Over the next few decades, there will be a transfer of wealth worth roughly ten trillion dollars.

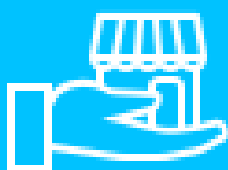
As millions of baby boomers retire and transition out of the workforce, they are looking to sell their businesses. There are many buyers with cash on the market. Banks and SBA offer loans for business acquisitions. This presents a great opportunity for business brokers as many business owners will require their assistance in selling businesses.

Competition

According to Entrepreneur.com, there are approximately 1 million businesses for sale at any given time in the United States. However, there are not enough business brokers on the market to handle the amount of work.

There are only between 2,500 and 5,000 business brokers in the country. According to Business Brokerage Press, there are 1,850 businesses per business brokerage firm.

Also, it might surprise you, but the most competition doesn't come from other brokers, but rather from business owners who believe that they can sell their businesses on their own.



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businesses for sale at any given time in
the United States**

Licensing Requirements in CA

Real Estate Salesperson or Broker license

Selling a small business in California requires a real estate agent license and supervision from a real estate broker, even if there is no real estate involved.

To apply, visit: www.dre.ca.gov

FINRA Securities Representative License

FINRA securities representative license is required for larger M&A transactions where stock sales are common.

To apply visit: www.finra.org

Compensation

Business brokers are typically compensated by the seller based on a percentage of the selling price of the business. The commission is paid at the closing of the deal.

The average commission of business brokers is between 8 and 12 percent of the sale price but can be higher or lower depending on the size of the deal.

This career is challenging, but it is also rewarding. It is not uncommon for top producers to earn over \$500,000 annually.

To make a good living, typically, a main street business broker needs to handle 7 to 10 listings at a time.

Types of Businesses Sold By Business Brokers

1 MAIN STREET BUSINESS



SMALL BUSINESSES OR “MAIN STREET BUSINESS”

These types of businesses valued at under two million dollars. First-time buyers are most likely to acquire a “Main Street business”. Most of them will be actively involved in managing day-by-day operations. Most business brokers sell small “Main Street” Businesses.

2. LOWER MIDDLE-MARKET BUSINESSES



LOWER MIDDLE-MARKET BUSINESSES

These businesses sell between \$2 million to about \$25,000,000. Mid-street brokers, M&A advisors, and investment bankers assist business owners with the sale of “Lower Middle Market” businesses.

Reasons for Hiring Business Brokers

There are many reasons why business owners sell their businesses, the most common are retirement, health issues, “burnouts”, partner disputes, or new opportunities. The process of selling a business can be complex and stressful. There are a number of reasons why business owners should hire a business broker to sell their business:

01

Selling a business without a business broker could be very risky. Any statement a business owner makes to a buyer may become a liability for them later.

02

Intermediaries protect the company's identity from a prospective buyer until a confidentiality agreement is signed by a qualified buyer.

03

A business broker will advise and guide the seller through the entire process of marketing the business, qualifying potential buyers, conducting evaluations, negotiations, and closing.

04

Established firms have a large network that allows them to reach the right buyers faster.

05

Selling a business through a business broker will help the seller avoid potentially costly mistakes.

06

Brokers assist sellers in preparing their businesses for sale before it goes on the market to ensure maximum value.

07

Business brokers will help buyers to secure financing.

Qualities & Skills

Business brokerage requires a lot of hard work and can be very challenging, especially when you are just getting started. You will need to understand every aspect of selling or buying a business.

Education & Training

Business brokers need a basic understanding of profit and loss statements, balance sheets, and tax returns. They must be able to perform market analysis and comprehend appraisals.

Accounting, law, sales, marketing, and negotiations are just a few of the skills required for a Business Broker. This is a career that requires ongoing training and mentoring. It is important to learn from an experienced supervising broker who can provide guidance and support. Join a business brokerage firm that offers a comprehensive training program as it may reduce the time to make that first sale.

Sales Background

Having sales experience is very helpful for business brokers. As you enter the career of business brokerage, you are going to witness rejection from prospective sellers. Rejection can have a devastating effect on many people. It can hold you back from making the calls and advancing your career. In order to succeed, you must be able to tolerate failure and rejection.

Negotiation Skills

Selling a business is an emotional process. There will be negotiations between buyer and seller regarding price, deal structure, terms, and financing. It is common for other professionals, including accountants, attorneys, and advisors, to be involved in the sales process as well.

Business brokers must be effective at negotiating and collaborating with the sellers' and buyers' professional advisors, accountants, and attorneys.

Commitment

It takes grit and perseverance to become a successful business broker. To be successful, you must treat it as a business. If you start from scratch, building a strong pipeline may take one to two years.

Track Your KPIs

To get a listing, how many prospecting calls do you need to make? In order to get an offer, how many buyers do you need to speak with? Use KPIs to track your daily and monthly activities.

Marketing

Marketing is a key component of every business. To stay on the right path to success, it is important to develop your individual marketing plan. Start by creating your value proposition: explain in one sentence why you are the right person to work with and what you can bring to the table. Your marketing plan should include your monthly campaigns, goals, objectives, as well as the results of these campaigns.

Here are some marketing tactics to generate leads:

- **Referrals:** New business brokers must build relationships. A great way to get new clients is through referrals from former clients, accountants, and attorneys. Develop strong business relationships with “power partners”: accountants, attorneys, and financial planners. Create a referral network - consider joining a referral group that includes CPAs, financial planners, and law firms.
- **Targeted mailers:** A targeted direct mail campaign improves response rates. Creating a mailing list and identifying your best clients is crucial for successful targeted direct marketing.
- **Outbound calling:** Outbound calls can boost your business faster than other marketing techniques.
- **Webinars & Workshops:** Using webinars is a great way to move leads down the sales funnel.
- **Email marketing:** Email marketing is one of the best digital marketing strategies. It is cost-effective and provides a reliable form of communication with your prospects.
- **Newsletters:** Newsletters will help you position yourself as an industry expert and maintain your relationships with potential clients.
- **Social Media:** Social media is more cost-effective than print advertising. Additionally, it allows you to track the performance of your campaigns.

When you are just starting out, marketing can seem overwhelming, and it can be among the largest expenses in your budget. Consider joining a business brokerage firm that sources leads for its brokers.

And remember, the deals will begin to come through if you are willing to put in the hard work.

Communication Skills

Good communication and interpersonal skills are essential for business brokers. They should be able to communicate effectively with business owners, prospective buyers, accountants, attorneys, landlords, and lenders.

Self-motivation

As an independent contractor, a business broker must be self-motivated and have excellent time management skills.

Integrity

The business broker is trusted with one of the most important financial investments a buyer or seller will ever make. Having that trust comes with the fiduciary and ethical duty to act honestly and in good faith.

Empathy

For sellers, their business is usually their greatest asset, which they have worked hard to build. You must understand their motivations, take a genuine interest in their business and be respectful toward them.



The deals will begin to come through if you are willing to put in the hard work

Business Broker Certifications

While broker certifications are not required, they can help you to build your reputation and serve clients more effectively.

Developing a plan to acquire these certifications over time will help you stay on track.

INDUSTRY ORGANIZATIONS OFFERING BUSINESS BROKERAGE CERTIFICATIONS

Certified Business Intermediary (CBI) offered by International Business Brokers Association (IBBA)

Visit: www.ibba.org

Accredited Business Intermediary (ABI) offered by the American Business Brokers Association (ABBA).

Visit: www.americanbusinessbrokers.org

Middle-Market Professional certification offered by The Association for Corporate Growth for middle-market M&A deal-makers.

Visit: www.acg.org

Certified Business Broker (CBB) offered by the California Association of Business Brokers (CABB).

Visit: www.cabb.org

Certified Business Appraiser (CBA), Certified Valuation Analyst (CVA) or **Accredited in Business Appraisal Review (ABAR)** offered by the National Association of Certified Valuators and Analysts.

Visit: www.nacva.com

Merger & Acquisition Master Intermediary (M&AMI) and **Merger & Acquisition Master Finance (M&AMFin)** offered by M&A Source (for larger M&A deals).

Visit: www.masource.org

Challenges of Being a Business Broker



TIME

According to the research, on average, it takes 9 months to close the first deal. To reap substantial rewards in the long run, new business brokers must be willing to put in the time and effort.



STAYING MOTIVATED

You must be self-motivated. No one will not be watching over your shoulder telling you what to do or when to do it. Maintaining productivity each day will require a tremendous amount of discipline.



CASH FLOW

In the early stages of building your career, you need to have enough capital to sustain your living standard until your deal flow ramps up. First listings can take months, while closings and commissions can take longer.

Challenges Faced When Selling A Business

BUSINESS VALUATIONS

It is common for business owners to have high expectations regarding the sales price of the business. The business broker is responsible for valuing the business to determine the fair market value and advising the seller on the best exit strategy to maximize their return.

CONFIDENTIALITY

An established business has to be sold in a confidential manner otherwise it could negatively impact the business. Business brokers need to be mindful of maintaining confidentiality at all times.



The business broker is responsible for determining the fair market value of the business

Key Takeaways

For those with the entrepreneurial spirit, a business brokerage career can be very rewarding and fulfilling. It can provide an excellent lifestyle, but it also requires commitment, hard work, and dedication.

You can achieve your personal and professional goals faster with the right training, mentoring, and marketing support.

If you are ready to start your journey to becoming a business broker, Liberty Business Advisors will help you to get there.

Next Steps

Excited to start your career as a Business Broker? Take the first steps towards your career goals. Contact us if you are interested in learning more about a career as a business broker or know a potential candidate.

Contact

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