

Market Update

Issue 15



What You Need To Know About Selling Your Business In 2024

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Franchise vs. Independent Businesses

Deciding between a franchise and an independent business is an important choice for prospective business buyers.

Maximising Profit

Knowing when to sell your business is just as crucial as knowing when to start it!

Recent business sales



SOLD

Cafe / Coffee Shop

BAY OF PLENTY
\$750,000



SOLD

Retail General

BAY OF PLENTY
\$560,000



SOLD

Manufacturing

BAY OF PLENTY
\$480,000



SOLD

Automotive / Repairs

BAY OF PLENTY
\$435,000



SOLD

Hire / Rent

BAY OF PLENTY
\$400,000



SOLD

House Washing

BAY OF PLENTY
\$230,000



SOLD

Property Maintenance

BAY OF PLENTY
\$115,000



SOLD

Florist & Gift Shop

BAY OF PLENTY
\$99,000



SOLD

Food / Hospitality

BAY OF PLENTY
\$95,000



SOLD

Services

BAY OF PLENTY
\$23,000

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What you need to know about **selling your business** in 2024

With 2024 well and truly underway and the end of FY24 fast approaching, business owners and prospective buyers alike are eager to gain insight into New Zealand's current market conditions. Katherine Shepherd, Sales Manager of LINK Business Brokers Christchurch & South Island is happy to share that at present, the business climate is particularly positive, offering favourable opportunities for Kiwis to achieve a spectrum of business goals.

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Katherine notes that the combination of easing interest rates, DTI ratio laws, and a change in government are responsible for this optimistic outlook. "The overall opinion is that interest rates have generally peaked and should alleviate this year, plus the new DTI ratio laws will allow prospective buyers to borrow money more easily and at a cheaper rate than before." These factors have fostered a strong environment for buyers and sellers to move forward with their exiting and purchasing plans.

One dominating trend that continues to define the market is the baby boomer retirement wave. "Although we have seen a lot of business owners in their 60s & 70s retire & reap the rewards of their hard work, there is still an overwhelming number of baby boomers that have yet to sell," Katherine says. As more seasoned vendors sell their businesses, more high-quality & long-established enterprises hit the market in search of fresh entrepreneurs to continue the legacies.

Encouraging business owners to take advantage of the current market's optimal conditions, Katherine emphasises that now is the time to sell. "Lending is getting easier, borrowing is getting cheaper and there are still no taxes on business sales yet," she says. "On the other side of the coin, buyers have a strong appetite, reflected in the growing quantity of Confidentiality Agreements that LINK is receiving across the country."

It's no secret that many Kiwis are struggling financially. People are realising that they will have to contribute significantly to their retirement funds without relying solely on KiwiSaver, and those stuck on wages are battling to build wealth. But Katherine states that acquiring a business can be a lifechanging solution. "Business ownership can provide an excellent avenue to secure equity for a happy retirement... it's absolutely worth considering buying a business as a means to take control of your future in this financial climate."

Franchise vs. Independent Business: Making the Right Choice

Deciding between a franchise and an independent business is an important choice for prospective business buyers. Both options come with a series of pros and cons that can help aid in your important decision-making process.

Brand Recognition

The biggest benefit of buying a franchise business is that you don't have to start from nothing! Franchises provide immediate brand recognition, saving time and money spent building trust & awareness with potential customers. You also join a brand that has a preexisting customer base, offering a competitive advantage in crowded markets. Franchisors may also provide marketing support which will aid in brand visibility and customer attraction.

However, there are strict brand standards and marketing strategies that franchises must follow which limits your potential creative and unique marketing decisions. In comparison, independent businesses allow owners to have complete creative control over brand identity and low upfront costs. Though building your brand from scratch can quickly become timely and costly, especially in competitive markets, and without the support and resources of franchisors.

Support Systems


Support from the franchisor can be a major advantage to your franchise businesses. Often franchisees will receive comprehensive training and ongoing operational guidance to navigate business complexities. By operating with established systems, you reduce the risk of failure and have a roadmap for success, leveraging the franchisor expertise.

On the other hand, franchisees must adhere to the operational protocols set by the franchisor, potentially limiting your entrepreneurial freedom. Independent owners can enjoy autonomous decision-making and flexibility. This freedom allows you to experiment with different strategies and pivot as needed without seeking approval from a higher authority.

Operational Freedom

Franchisors provide standardised procedures and infrastructure, ensuring customer experiences are uniformed. With easy access to established resources, you don't have to build systems and infrastructure from scratch. However, an independent business has more freedom to make decisions. You can more quickly respond to market trends, customer feedback or competitive pressures.

Both franchise and independent businesses offer unique opportunities and challenges. Franchises offer brand recognition, support systems, and streamlined operations but come with high costs and limited autonomy. Independent businesses provide flexibility, control, and agility but require effort to establish brand recognition and support systems. Your choice should also depend on your individual goals, preferences, and resources.



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Maximising Profit: **Timing** Your Business Sale

Knowing when to sell your business is just as crucial as knowing when to start it! There are many elements, such as key market indicators and economic factors, that can guide you to successfully maximise the value of your business when you decide to sell.

Keeping an eye on market trends within your industry is essential to understanding if it's the right time to sell your business. Are there emerging technologies, changing consumer preferences, or regulatory shifts affecting your market? A thriving industry can attract more buyers and result in higher sale prices. For industries in growth phases, the market demand for a business like yours can lead to competitive bidding and drive up your sale price.

Your business' financial health is just as important as the wider market. Financial metrics showcasing growth in your business makes it look more attractive and justifies higher valuation. Understanding how similar businesses are valued can also provide insights into the potential selling price of your own business.

Ensure you consider the broader economic indicators such as GDP growth, inflation rates, and interest rates. Favourable lending conditions, such as low interest rates and relaxed lending standards, can increase the pool of qualified buyers and facilitate smoother transactions.

A stronger economy will generally foster investor confidence, potentially resulting in a higher valuation for your business. Also stay informed about any regulatory changes that could impact the sale process.

It can be difficult to pinpoint the right time to sell your business. While 'perfect' may not exist, there are some indicators you can look out for. You should consult with experienced business brokers, such as our team of expert brokers at LINK, and other experts to help you navigate the complexities of selling your business. They can provide valuable insights and guidance tailored to your specific situation.

To maximise your **potential profit**, sell your business when it's performing at its peak.

A strong financial performance, sustainable growth prospects, and a competitive market position will help to increase your business' value. Pay attention to market trends and aim to sell during periods of high demand and favourable economic conditions. Since the market can be unpredictable, avoid waiting for too long!

Be proactive in preparing your business for sale and have a clear exit plan. We know it's hard to figure out when to sell your business, and there are various factors which should influence your decision. LINK can help ease that pressure, to speak with one of our LINK business brokers and discuss whether the time is right, contact us at 0800 546 528.

The numbers just keep getting **better and better**

\$2b+

of businesses listed on our global websites

250+

businesses sold globally per month (avg)

3,000+

businesses for sale internationally

73%

of buyers think about buying a business for up to three years

79%

of buyer prefer an established business

