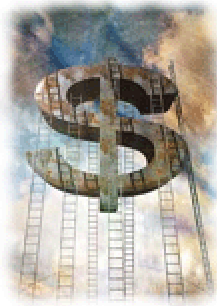


How Many Businesses Sell?



The number we'll use for our estimate is the one mentioned previously: 5,547,400 businesses. We'll round this off to 5,500,000, which incidentally is the same as last year. In this figure agriculture, mining, transportation, utilities, finance, insurance and real estate represent about 800,000 of the total. We realize that very few of these types of businesses actually are sold by business brokers or intermediaries. We feel, however, that the 800,000 are offset by businesses that might be sold in the categories just mentioned, non-employee businesses, coupled with the fact that the numbers are not quite current and the number of businesses is growing at 2%+. The next question we are asked right after the number of businesses that sell is how many are sold by business brokers/intermediaries? This is like guessing at a number and then having to guess at a second number using the first guess. The number bandied about is that approximately 50 percent of businesses that actually sell are sold by business brokers. Our contention is that there may be a large number of businesses for sale, but the number that actually sell represents a small portion. Also, we don't think that lawyers, accountants, suppliers and the next-door-neighbor are involved in as many deals as business brokers and others like to think.

Our figures are based on several premises: that about 20 percent of all businesses are for sale at any one time; and that the smaller the business, the less likely it is to sell.

General Business Brokerage

Number of Businesses - 4,400,000

Number for Sale - 880,000

Number That Sell - 160,000 (1 Out Of 5)

The Larger Business Brokerage

Number of Businesses...550,000

Number for Sale...173,000

Number That Sell...43,000(1 Out Of 4)

The Mid-Size Company

Number of Businesses...550,000

Number for Sale...173,000

Number That Sell...49,000 (1 Out Of 3.5)

The Large Company

Number of Businesses...54,000

Number for Sale...8,000

Number That Sell...2,500 (1 Out Of 3)

Note: All figures are rounded and totals may and may be slightly more or less than 100 percent. They are estimates only. The term sell refers to an actual sale, merger, or any major change in ownership.

What happens to the rest?

So, what happens to the approximately 1 million that don't sell? Some are always on the market the seller is just waiting for a buyer to come along. Many have very unrealistic expectations of what their business should sell for. Obviously, in some cases, the owner just plain closes the doors. According to an article in the May 2001 Small Business issue of INC magazine, a very, very small percentage of business owners actually file bankruptcy.

Keep in mind that the number of almost 1 million means that at any given time there are approximately 1 million businesses on the market. Many of them sell and are replaced by new businesses on the market. The big reason businesses don't sell is that they are overpriced by the owner. Almost all would sell if the owners were realistic and were willing to accept what the market is willing to pay. Unfortunately, too many business owners think that business brokers are magicians. But, it is the market place that determines the ultimate value. The business may actually be worth what the seller thinks its worth, but if no one perceives the same value of the business it wont sell.

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