



# NATIONAL MAINSTREET SMALL BUSINESS RESEARCH STUDY

PREPARED BY:



## BACKGROUND

IBBA commissioned Mindspot Research to conduct a national study among Mainstreet Small Business Owners to help IBBA Business Brokers better understand the mindset of Small Business Owners and the journey to selling their businesses.

Data from a statistically reliable sample of 500 Small Business Owners was collected and analyzed by Mindspot, an objective third party marketing research firm.

This marketing research initiative explored the rationale for considering and engaging business brokers and uncovered the key moments of engagement in the decision process.

Mindspot sought to uncover behaviors, exit plan patterns, influences, timelines and the consideration levels of retaining a Business Broker. Insights and recommendations within this study are intended to create a better understanding of when brokers should engage with prospects and the features, values and benefits that should be highlighted to encourage consideration of retaining a Business Broker's services. Communication channels and ideas for establishing deeper connections with Small Business Owners are also included.

The IBBA believes in its members and is proud to invest in raising the awareness of the value a Business Broker provides.

## PARTICIPANTS



500 Mainstreet Small Business Owners participated in this national quantitative research initiative that was conducted online.

Only privately held businesses with annual revenues between \$500K - \$5M qualified for the study. Owners were regionally distributed across the country (125 per region) and franchised units and home-based businesses were excluded.

Quantitative research findings within this report are coupled with practical resources for IBBA Members to strengthen relationships with Mainstreet Small Business Owners and increase business.



*Behavioral Insights, Attitudes, Exit  
Plans & Influences For Improving  
Relations Among Mainstreet Small  
Business Owners*

## TOP 5 INSIGHTS UNCOVERED WITHIN THE NATIONAL MAINSTREET BUSINESS RESEARCH STUDY

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✓ Business Owners need help developing exit plans; only half of those who have considered selling someday currently have an exit plan (48%). The complexity of selling often feels overwhelming for Mainstreet Small Business Owners.

✓ Getting the highest sale price, knowing the sale is done correctly, ensuring the business continues to run after the sale, and the feeling of doing the right thing are the most consistent factors Owners think about when selling their businesses.

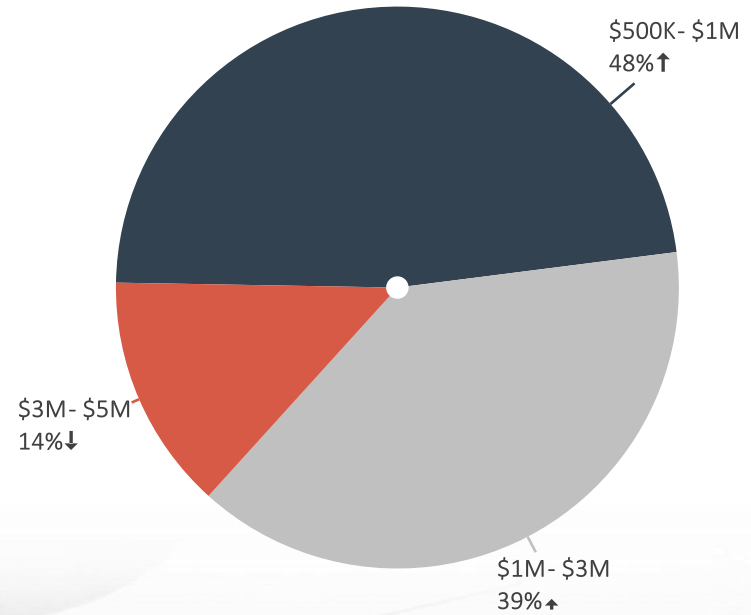
✓ Not having enough information is the largest barrier for Business Owners when it comes to considering a Business Broker.

✓ Brokers should start engaging with new prospects before they even start thinking about selling.

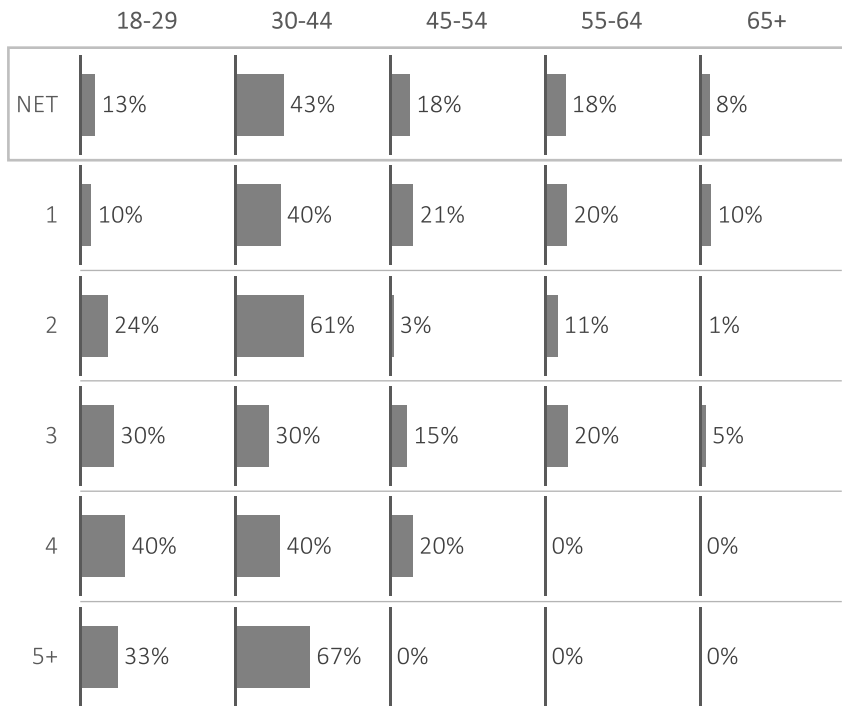
✓ Having a proven track record and perceived knowledge of the business being sold are the two most consistent requirements Business Owners have when choosing a Business Broker.

Slightly More Than Half Of The Mainstreet Small Businesses Included In The National Business Study Have Annual Revenues Within The Range Of \$1M - \$5M (52%); 48% Have Revenues Between \$500K - \$1M

ANNUAL REVENUES



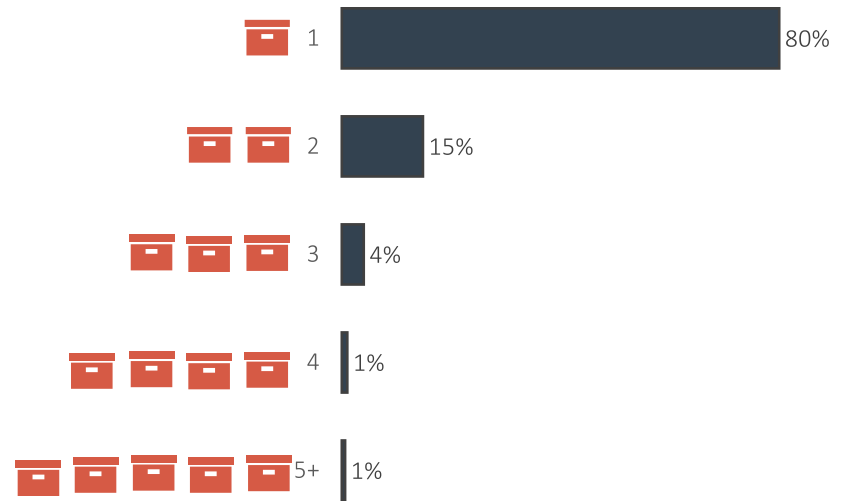
### # BUSINESSES OWNED BY AGE



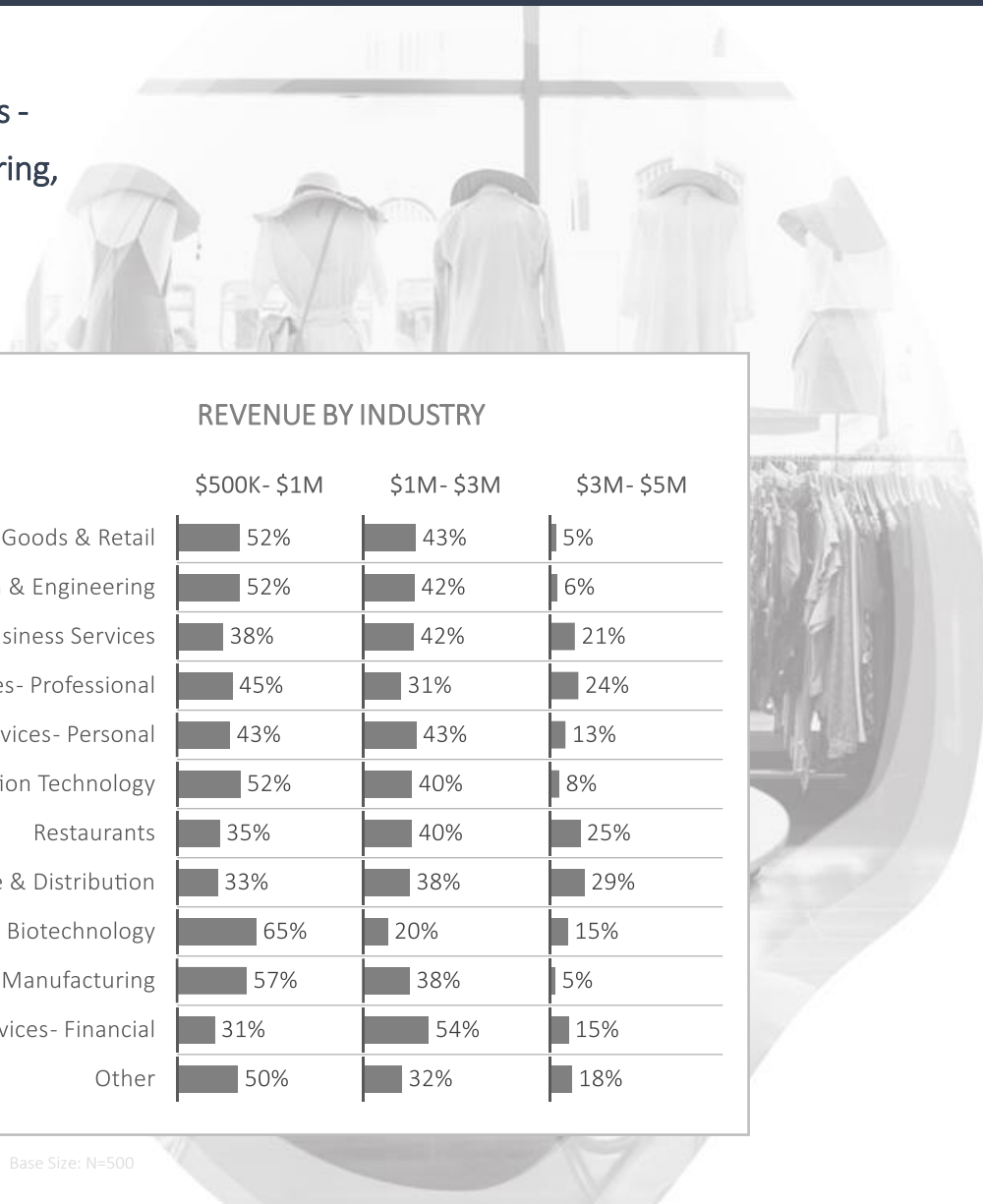
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8 Out Of 10 Mainstreet Small Business Owners Were Between The Ages Of 30-64, And 2 in 10 Own Multiple Businesses

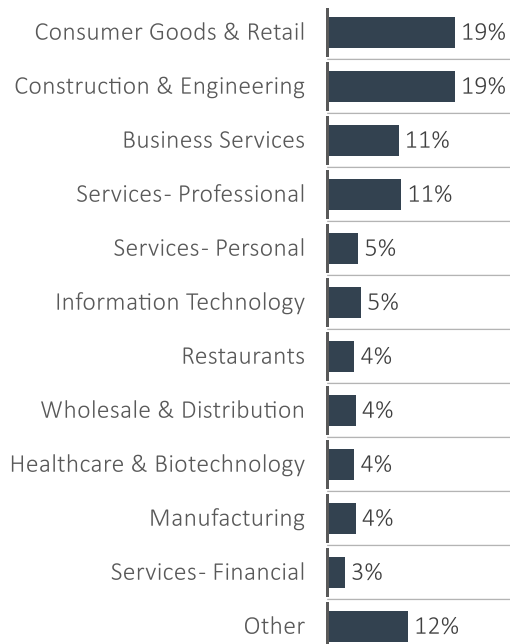
### # BUSINESSES OWNED



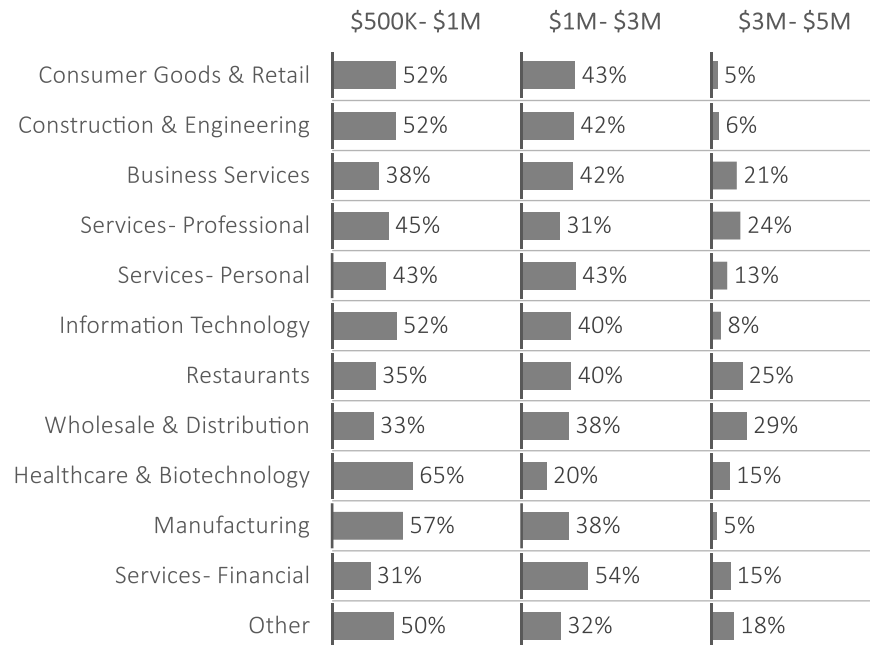
60% Of Businesses Fall Within 4 Industry Categories -  
 Consumer Goods & Retail, Construction & Engineering,  
 Business Services And Professional Services



INDUSTRIES



REVENUE BY INDUSTRY

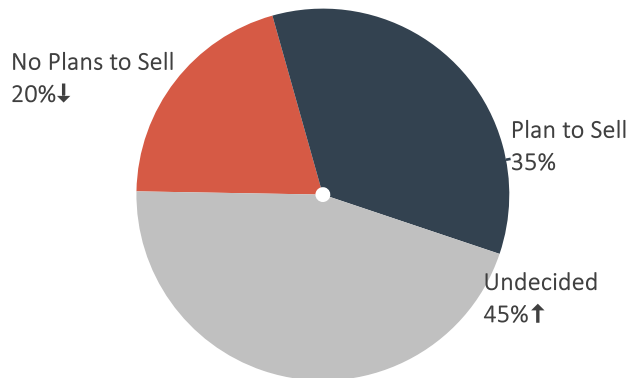


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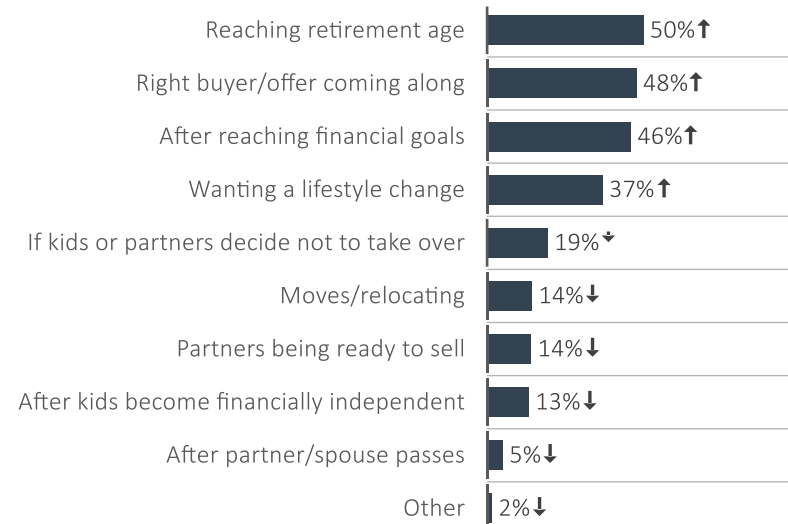
## 8 Out Of 10 Owners Have Thought About Selling Their Business Someday

Retirement Age, Specific Opportunities, Financial Circumstances and being Ready For a Change are the top 4 factors that influence decisions to sell.

### SELLING CONSIDERATION



### FACTORS INFLUENCING DECISIONS TO SELL



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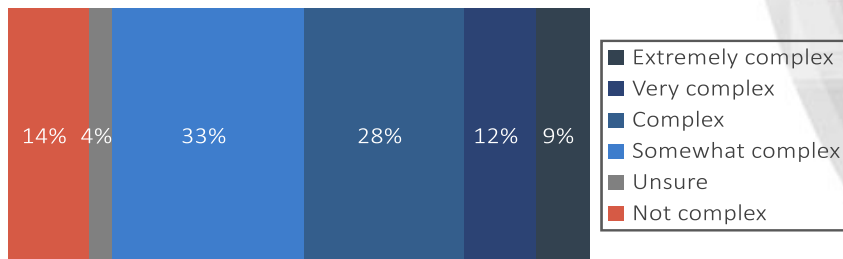
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## Owners Are Open To New Opportunities But The Complexity Of Selling Their Businesses Often Feels Overwhelming

8 out of 10 Business Owners believe the process of selling their business would have some level of complexity. 2 in 10 believe the process would be very or extremely complex.

Owners in the Consumer Goods & Retail industries and those under the age of 45 are significantly more likely to view the process as complex, making them good prospects to focus on and invest time in.

### PERCEIVED COMPLEXITY OF SELLING



Base Size: N=500



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## Business Owners Need Help Developing Exit Plans; Only Half Of Those Who Have Considered Selling Someday Currently Have An Exit Plan (48%)

Businesses with revenues between \$500K - \$2M are less likely to have exit plans compared to those with revenues in the range of \$2M - \$5M.

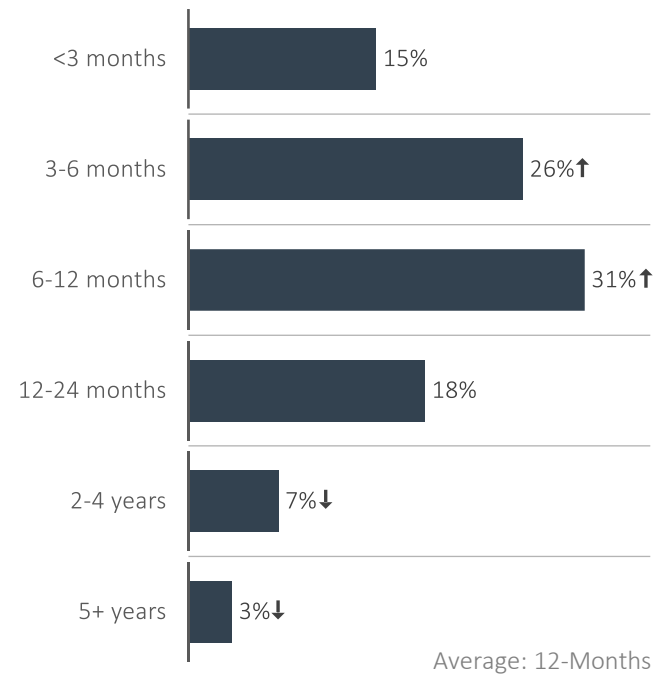


## On Average, Mainstreet Small Business Owners Believe It Would Take 12-Months To Prepare Their Business For Sale

Brokers should start engaging with new prospects before they even start thinking about selling.



### PERCEIVED LENGTH OF TIME TO PREPARE MAINSTREET SMALL BUSINESSES FOR SALE



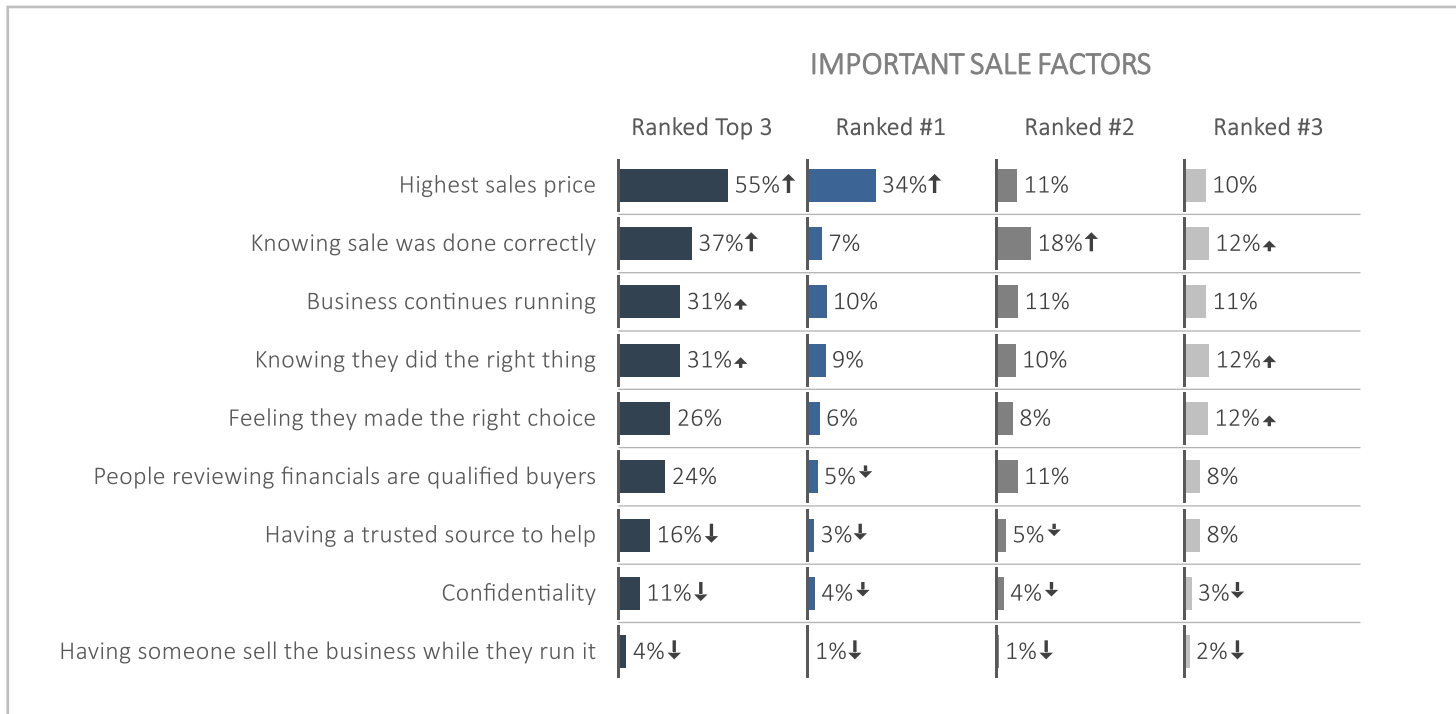
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## Getting The Highest Sale Price Is Top Of Mind For At Least Half Of All Mainstreet Small Business Owners Who've Considered Selling Their Business



Knowing the sale is done correctly (37%), the business continuing to run after the sale (31%) and the feeling of doing the right thing (31%) are the next most consistent factors Owners focus on during the sales process.



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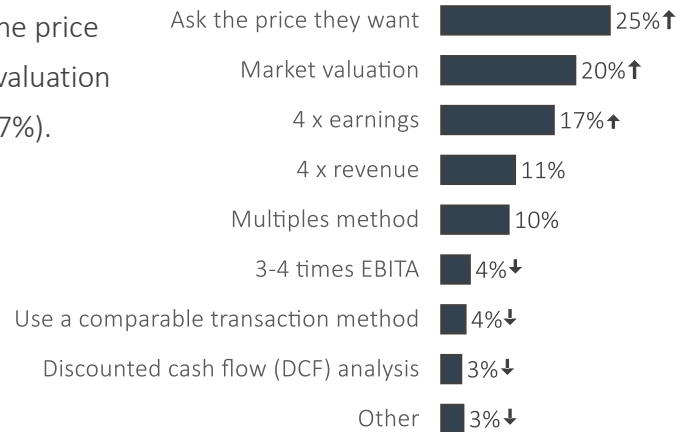
## 4 Out Of 10 Mainstreet Small Business Owners Feel They Need Help Putting A Sale Price On Their Business.

Owners within the **Healthcare/Biotechnology, Professional Services, Construction & Engineering** industries have the most difficulty valuing their businesses. The topic of valuations can be a great conversation starter among new prospects.

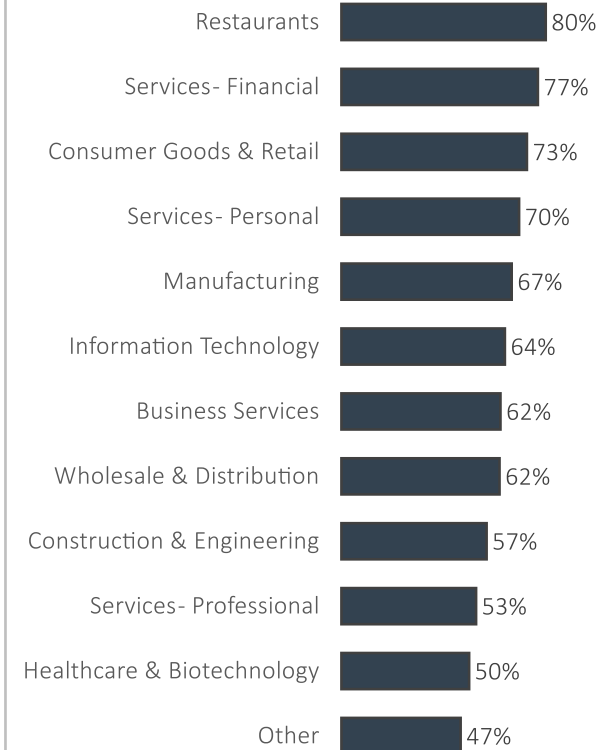
The top 3 valuation methods among those comfortable valuing their business include, asking the price they want (25%), market valuation (20%), and 4x earnings (17%).



### VALUATION PROCESS



### VALUATION COMFORT LEVEL



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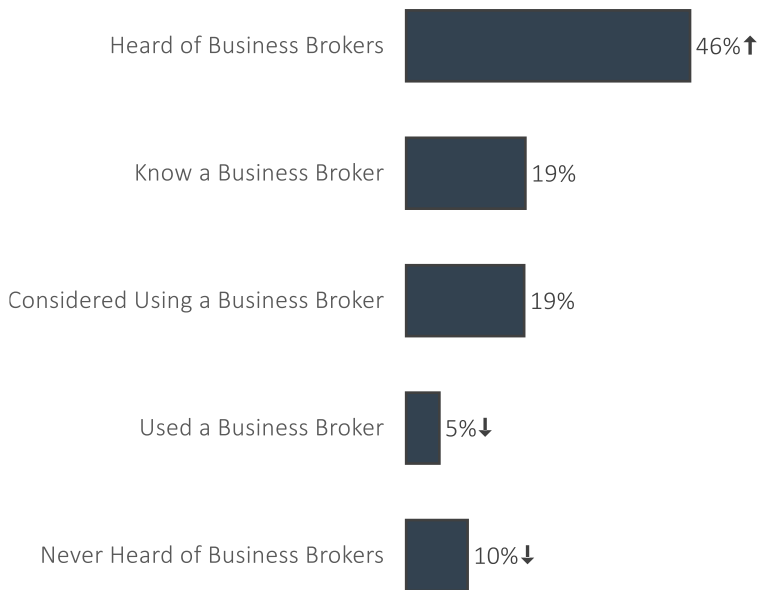


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Awareness & Consideration

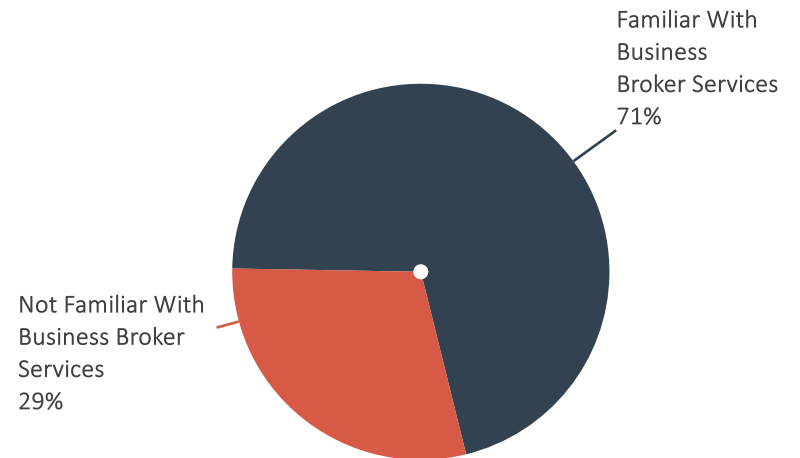
### BUSINESS BROKER FAMILIARITY



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9 Out Of 10 Mainstreet Small Business Owners Have Heard Of Business Brokers, And 7 Out Of 10 Consider Themselves Familiar With The Services Brokers Provide

### SERVICE FAMILIARITY

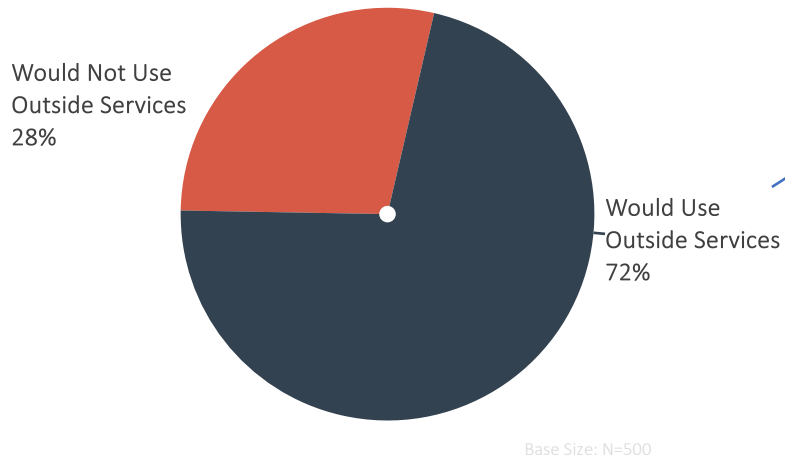


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7 Out Of 10 Business Owners Plan To Use Outside Advisors When It Comes Time To Sell Their Businesses

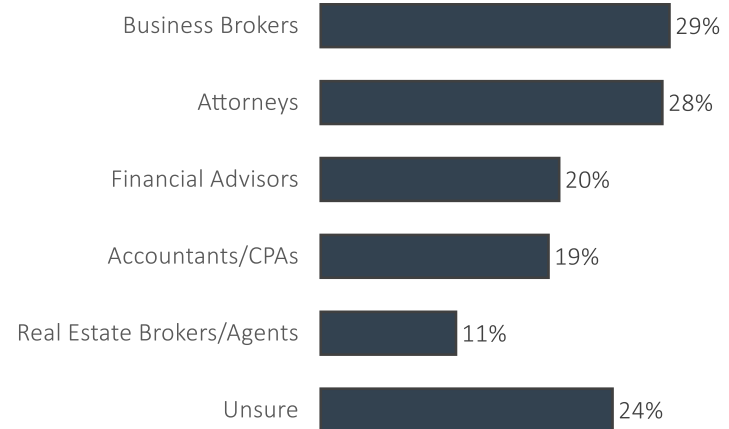
3 Out Of 10 Owners Who Have Considered Using Outside Services Have Specifically Thought About Using A Business Broker (29% Unaided Consideration); This Is In Line With Attorney Consideration

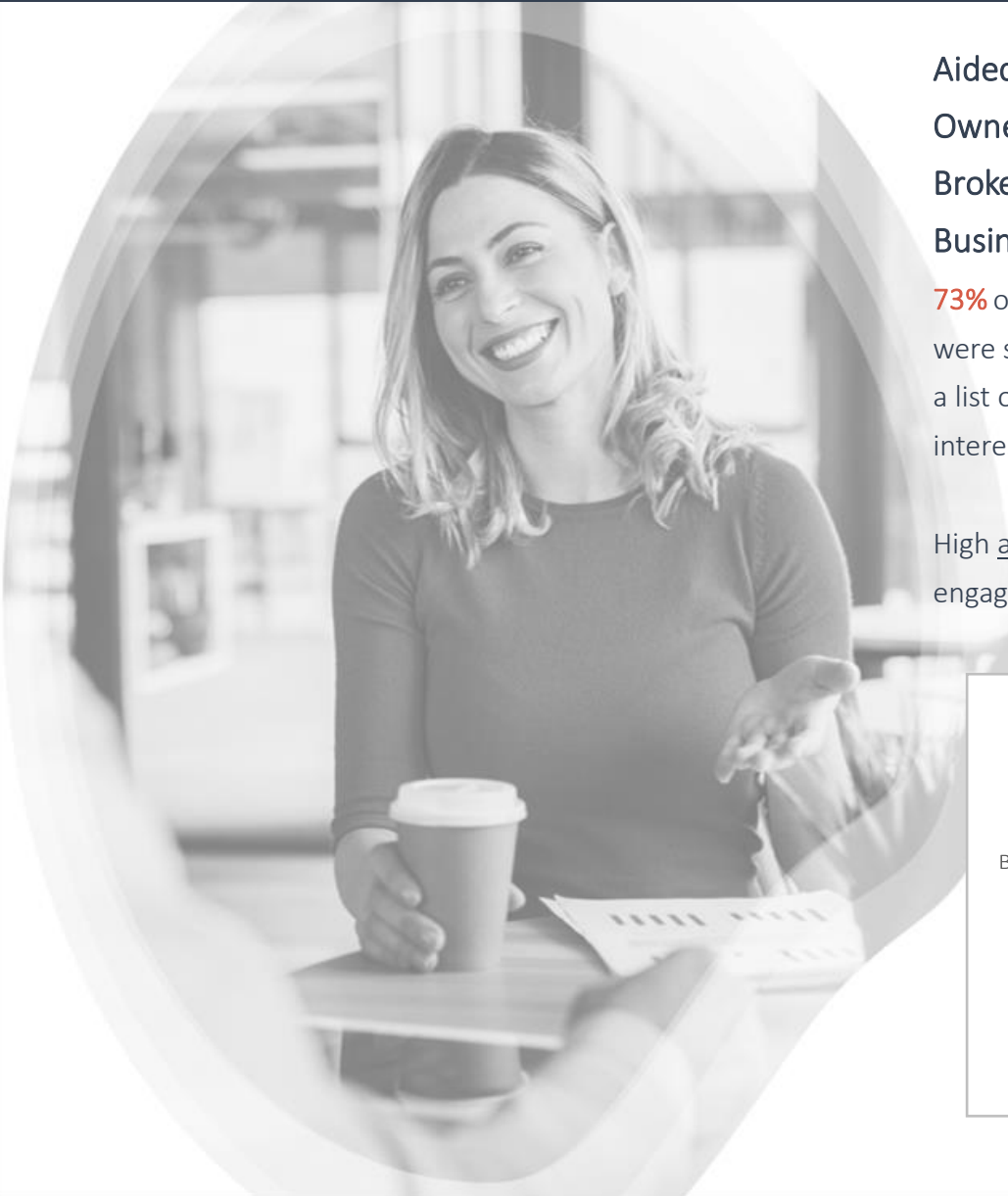
### PERCEIVED USAGE WHEN SELLING



### UNAIDED CONSIDERATION

(Among Business Owners Considering The Use Of Outside Services - 72%)

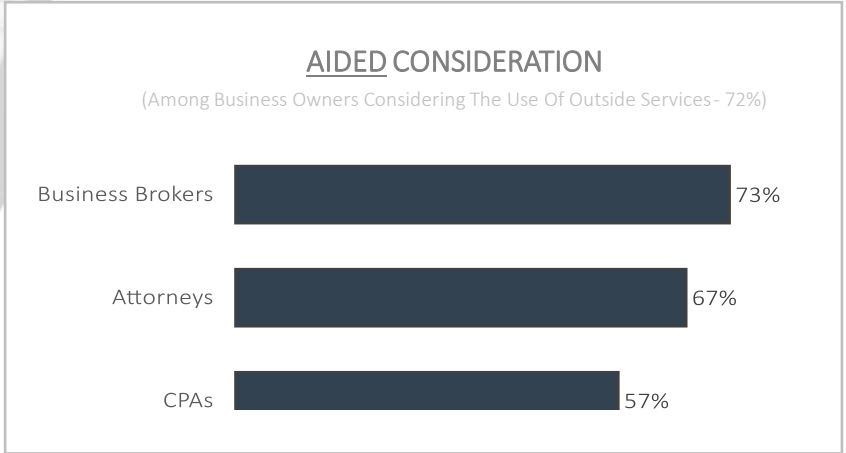




## Aided Consideration Levels Revealed That Business Owners Are More Likely To Consider Using A Business Broker Than An Attorney Or CPA When Selling Their Business

**73%** of Owners who plan on using outside services when selling were specifically interested in Business Brokers when provided with a list of potential advisors and business professionals. 67% were interesting in Attorneys and 57% were interested in CPAs.

High aided consideration levels emphasize the importance of engaging Business Owners.



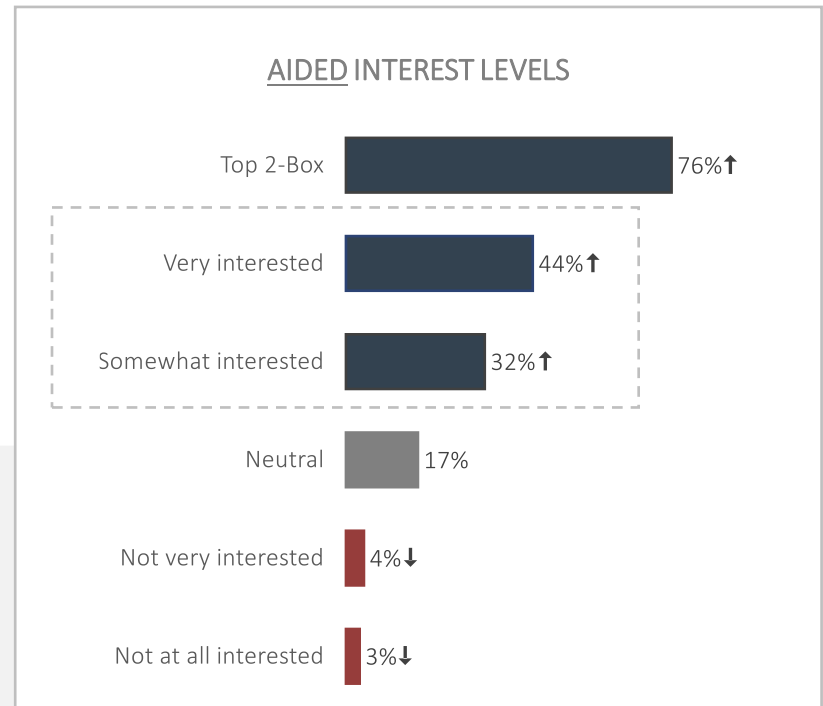
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## Expressed Interest In Using Business Brokers Further Increased After Reading About Specific Service Offerings

76% of ALL Mainstreet Business Owners were interested in using a Business Broker after reading about Business Broker offerings.

### BUSINESS BROKER OFFERINGS

- Understand the market
- Have access to statistics on recent sales
- Value businesses
- Can keep listings and sales confidential
- Ensure that only qualified buyers are considered
- Complete due diligence, ensuring sales are managed correctly



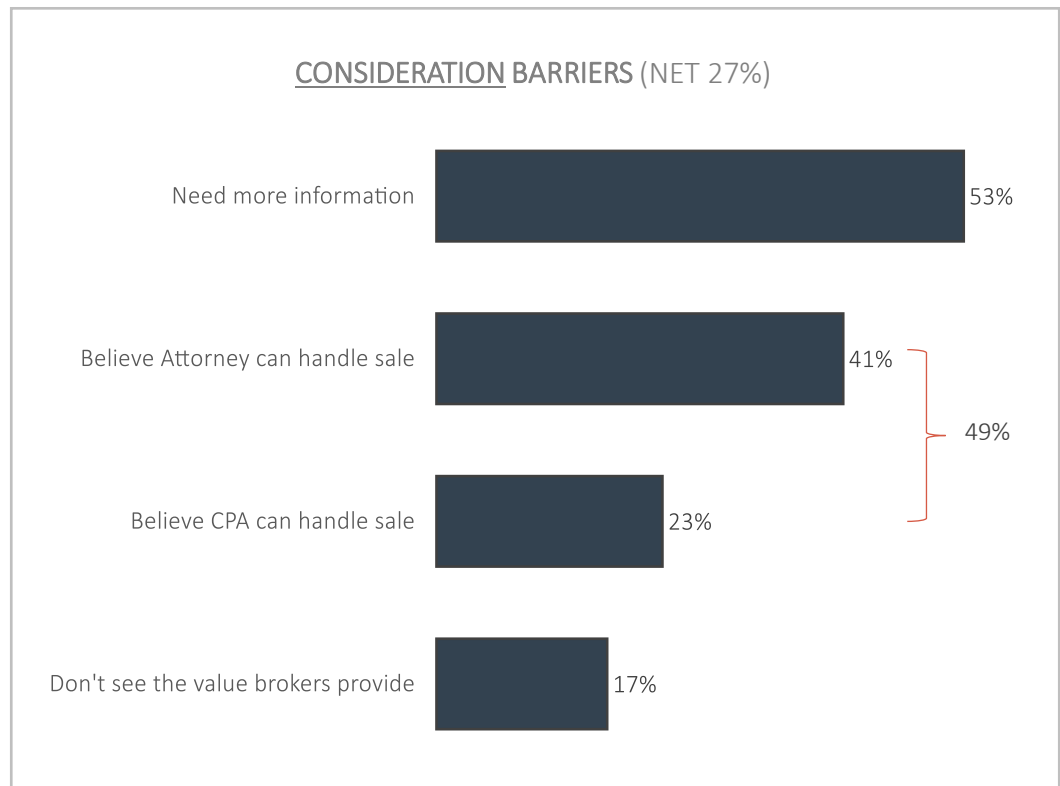
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## Not Having Enough Information Is The Largest Barrier When It Comes To Considering The Services Of A Business Broker

53% of Business Owners who have not considered using a Business Broker feel they need more information. Brokers should look for opportunities to talk about their services and help Business Owners see their value.

49% of rejectors believe an Attorney and/or a CPA can handle the sale of their business. This group represents only 13% of Mainstreet Small Business Owners.



Base Size: N=197



value & Perceptions



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value & Perceptions



## Business Owners Specifically Value Brokers' Professional Experience In Selling Businesses

Their valuation expertise, being the gate keepers (screen & qualify buyers) and due diligence are also among the top factors that would influence Business Owners to use a Business Broker.

CONSIDERATION FACTORS FOR USING BUSINESS BROKERS

	Ranked Top 5	Ranked #1	Ranked #2	Ranked #3	Ranked #4	Ranked #5
Professional experience/expertise in selling businesses	87%↑	49%↑	11%	11%	8%	9%
Valuation expertise	78%↑	16%↑	27%↑	15%↑	10%	11%
Screens & qualifies buyers	57%↑	7%↓	12%	16%↑	12%↑	11%
Provides due diligence to ensure sale is completed correctly	51%	6%↓	12%	14%↑	10%	9%
Protects confidentiality (sale listing and finances)	47%	5%↓	12%	11%	11%	9%
Works on the sale of the business while owners run the business	41%↓	5%↓	6%↓	10%	10%	11%
Access to statistics on recent sales/market data	38%↓	5%↓	11%	7%↓	8%	7%
Minimal up-front fees	34%↓	6%↓	4%↓	6%↓	10%	8%
Provides a professional marketing network	25%↓	2%↓	2%↓	6%↓	6%	9%
Access to global buyers	11%↓	1%↓	1%↓	3%↓	2%↓	4%↓

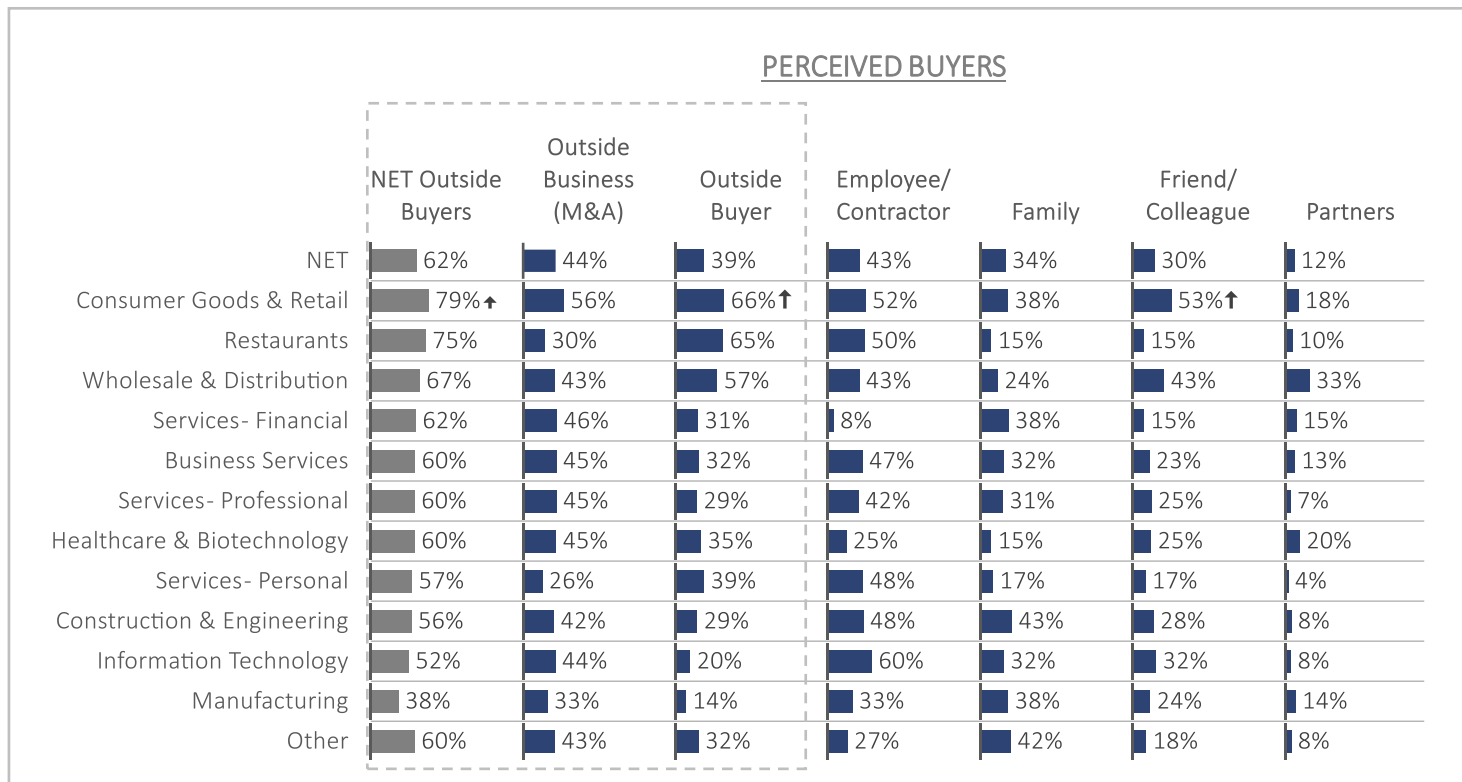
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## 6 Out Of 10 Business Owners Believe Their Successor Will Be An **Outside Buyer**

For this reason, access to qualified buyers and easing the burden of managing the sales process resonates among Mainstreet Small Business Owners.

Owners within the Consumer Goods, Retail, and Restaurant industries are even more likely to sell their business to an outside buyer.



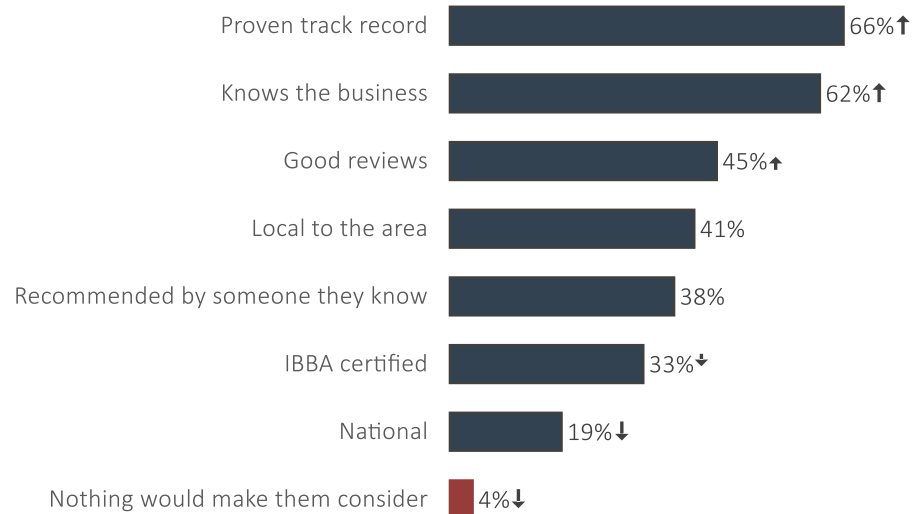
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Having a **Proven Track Record** And **Perceived Knowledge Of The Business Being Sold** Are The Two Most Consistent Requirements Business Owners Have When Choosing A Business Broker



### REQUIREMENTS WHEN CHOOSING BUSINESS BROKERS

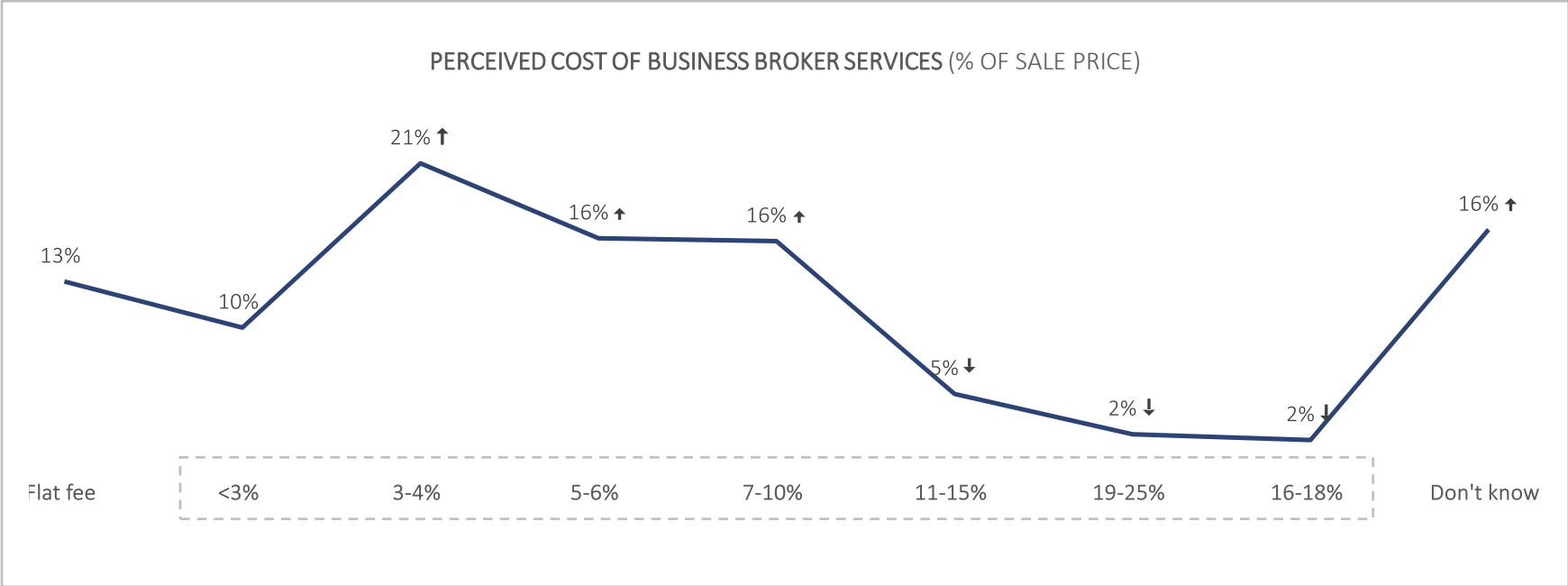


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# Business Owner Expectations Vary Greatly On How Much Broker Services Cost

53% expect costs to range from 3-10% of the business sale price; 13% expect a flat fee, and 16% don't have any pre-existing expectations.

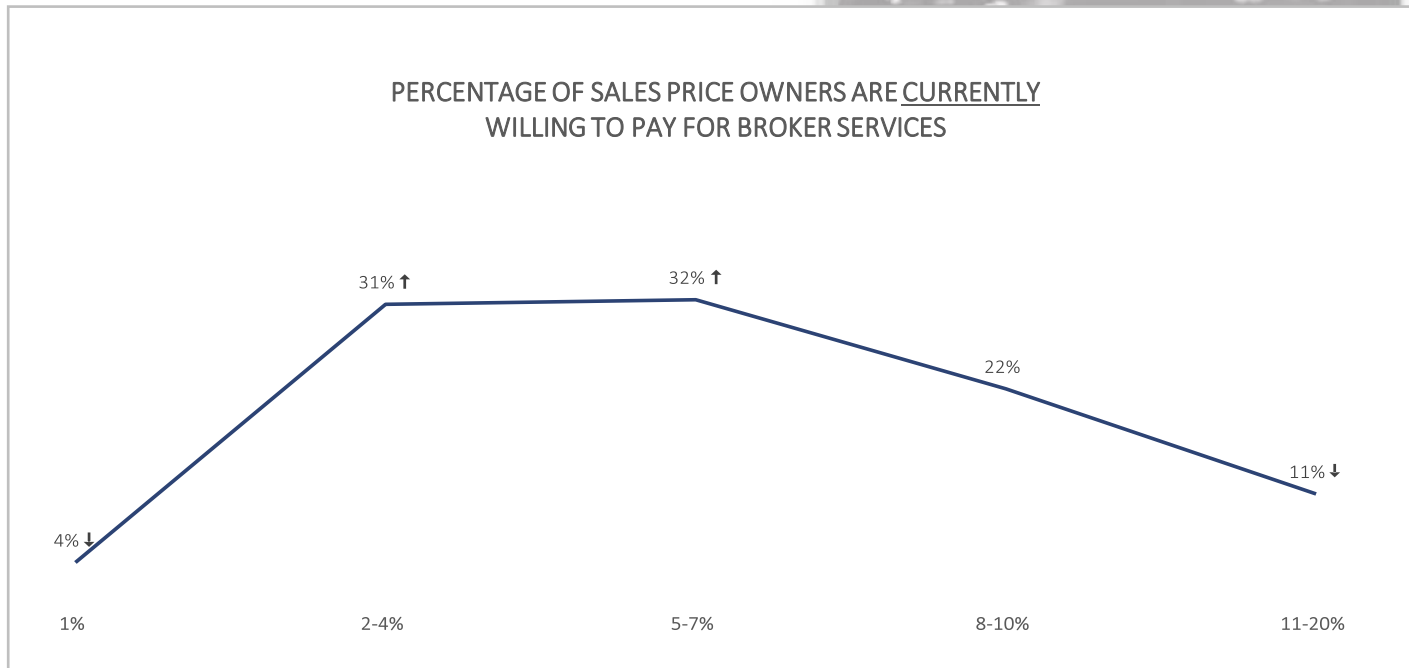


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On Average, Business Owners Say They Would Be Willing To Pay **6% Of Sale Price** For A Business Broker

PERCENTAGE OF SALES PRICE OWNERS ARE CURRENTLY WILLING TO PAY FOR BROKER SERVICES

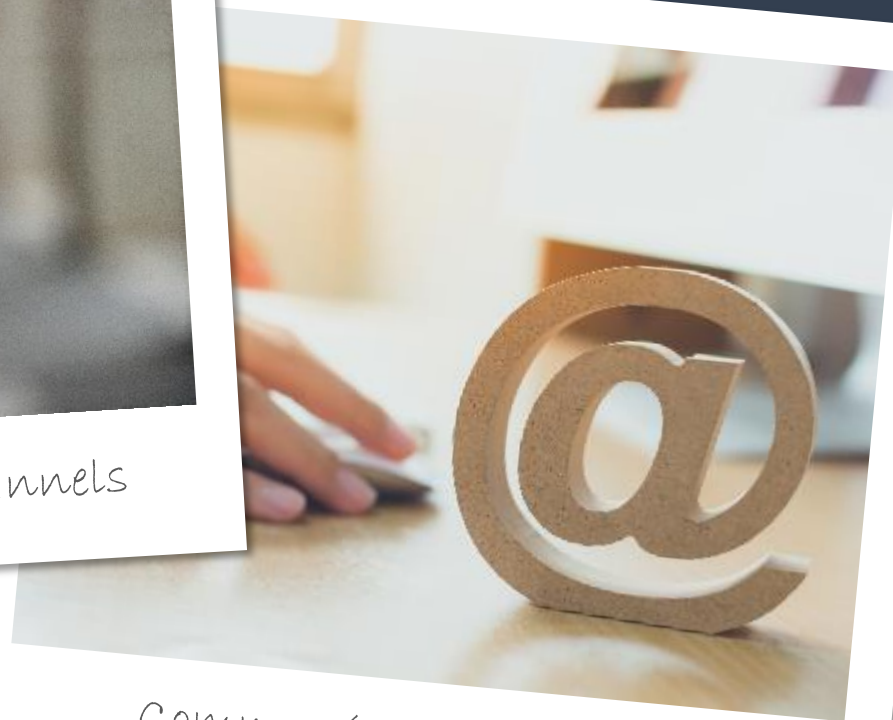


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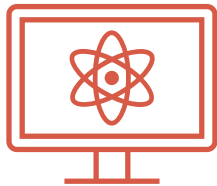
*Communication Channels*



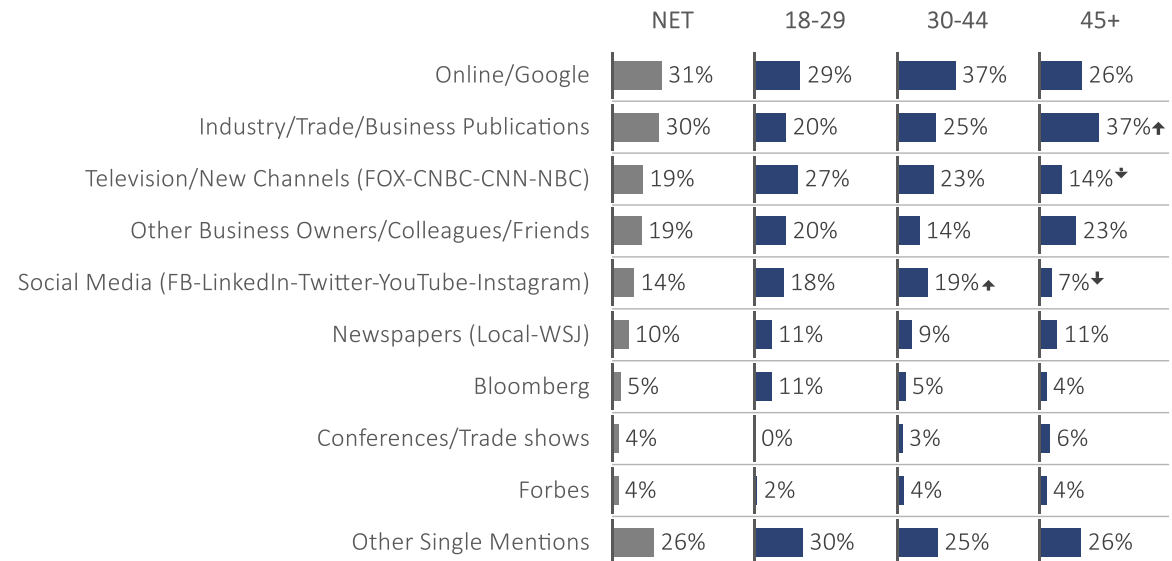
*Communication Channels*

## Most Business Owners Get Their Industry News And Information From Online Sources, Industry, Trade And Business Publications

They also rely on Television News Channels and other Business Owners/Colleagues.



### UNAIDED SOURCES FOR INDUSTRY NEWS & INFORMATION



Base Size: N=500

Significantly Higher ↑ Significantly Lower ↓

## Most Mainstreet Small Business Owners Are Also Actively Engaged In Social Media, Which Is Becoming A Trusted Information Source, Particularly Among Business Owners Ages 18-44

Facebook, YouTube, Instagram, LinkedIn and Twitter are the most widely used networking sites among Business Owners.



### SOCIAL NETWORKING USAGE

	NET	18-29	30-44	45+
Facebook	79%	79%	85%↑	74%↓
YouTube	74%	83%	81%↑	64%↓
Instagram	62%	88%↑	69%↑	48%↓
LinkedIn	54%	55%	58%	49%
Twitter	51%	77%↑	60%↑	35%↓
TikTok	37%	65%↑	46%↑	18%↓
Pinterest	35%	41%	38%	30%
Snapchat	27%	48%↑	31%	16%↓
None of the above	4%	0%	0%↓	10%↑

### SOCIAL NETWORKING USAGE BY INDUSTRY

	Facebook	YouTube	Instagram	LinkedIn	Twitter	TikTok	Pinterest	Snapchat	None of the above
NET	79%	74%	62%	54%	51%	37%	35%	27%	4%
Restaurants	95%	55%	80%	60%	40%	45%	10%	20%	0%
Services- Financial	77%	54%	38%	46%	38%	15%	23%	8%	0%
Consumer Goods & Retail	83%	82%	77%↑	59%	69%↑	53%↑	53%↑	38%	1%
Services- Personal	91%	52%	65%	57%	48%	30%	35%	17%	0%
Manufacturing	71%	86%	52%	62%	48%	38%	19%	29%	10%
Information Technology	88%	76%	76%	44%	48%	36%	20%	28%	0%
Business Services	72%	68%	64%	62%	55%	45%	34%	28%	6%
Wholesale & Distribution	71%	76%	57%	48%	52%	43%	24%	29%	10%
Construction & Engineering	81%	82%	53%	48%	52%	33%	36%	28%	5%
Services- Professional	75%	73%	58%	62%	49%	24%	35%	25%	5%
Healthcare & Biotechnology	65%	70%	60%	40%	55%	20%	25%	5%	5%
Other	80%	72%	55%	45%	32%↓	28%	33%	20%	8%

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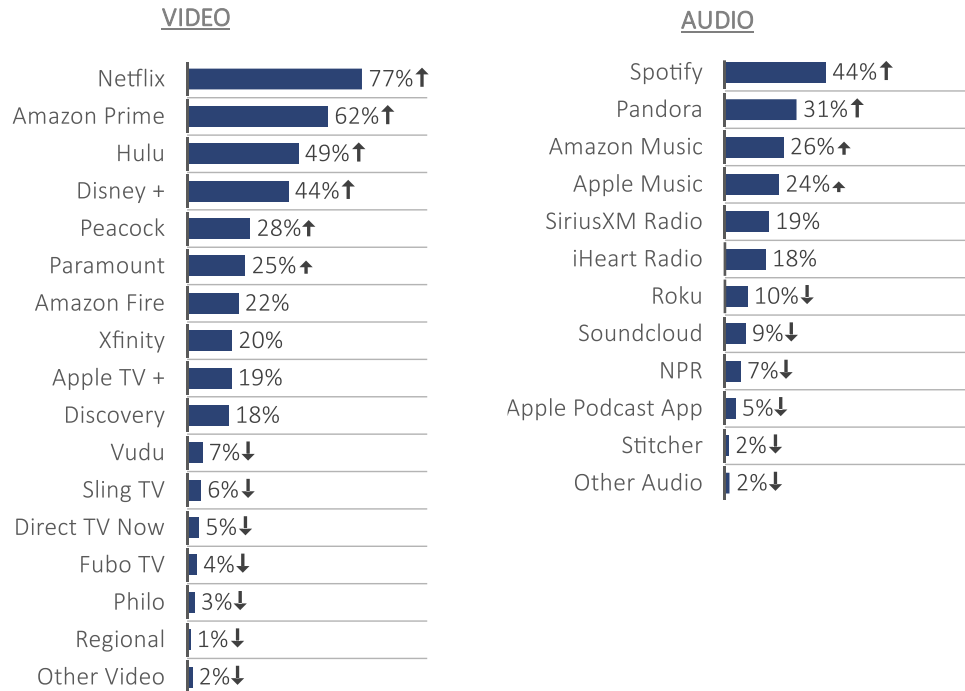
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## 94% of Mainstreet Small Business Owners Also Use Online Streaming Services

Netflix, Prime, Hulu and Disney+ are the most widely used video services, while Spotify, Pandora, Amazona and Apple Music are the most widely used audio services.



### STREAMING SERVICE USAGE



Base Size: N=500

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Communication Regarding **Only Paying For Success, Getting The Best Returns, Managing The Process, And High Success Rate** Will Be The Most Meaningful Messages For Business Brokers To Focus On

Owners in small cities, towns and rural areas are more likely to be influenced by messaging about only paying if there is a sale compared to those in large cities.

### BUSINESS BROKER MESSAGING



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# KEY FINDINGS

## KEY FINDINGS

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**EXIT PLANS & INFLUENCES:** 8 out of 10 Mainstreet Small Business Owners have thought about selling their business someday. Reaching retirement age, specific opportunities, financial circumstances and being ready for a change are the top 4 factors that ultimately influence decisions to sell.

While open to new opportunities, Owners need help developing exit plans and managing the process; only half of those who have considered selling someday currently have an exit plan (48%). 4 out of 10 Mainstreet Small Business Owners feel they need help putting a sale price on their business - the topic of valuations can be a great conversation starter among new prospects.

## KEY FINDINGS

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**AWARENESS & CONSIDERATION LEVELS:** 9 out of 10 Mainstreet Small Business Owners have heard of Business Brokers, and 7 out of 10 consider themselves familiar with the services Brokers provide.

A remarkable 73% of Mainstreet Business Owners were interested in using a Business Broker after reading about their offerings. Owners value the service Attorneys and CPAs provide in the sales process; however, only 13% would prefer to rely solely on these professionals rather than use a Business Broker.

Business Owners specifically value Business Brokers for their professional experience in selling businesses, valuation expertise, being the gate keepers (screen & qualify buyers) and due diligence. Not having enough information is the largest barrier when it comes to considering the services of a Business Broker. Brokers should look for opportunities to talk about their services and work to become a trusted resource/partner.

## KEY FINDINGS

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**TOP OF MIND:** Getting the highest sale price (55%), knowing the sale is done correctly (37%), the business continuing to run after the sale (31%) and the feeling of doing the right thing (31%) are the most consistent factors Owners focus on during the sales process.

**OUTSIDE BUYER:** 6 out of 10 Business Owners believe their successor will be an outside buyer, this adds the burden of finding qualified buyers while still working within their businesses.

**TIMELINES:** On average, Mainstreet Business Owners believe it would take 12-months to prepare their business for sale. Owners are open to new opportunities but the complexity of selling their businesses often feels overwhelming.

## KEY FINDINGS

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**COMMUNICATION:** Business Owners want to feel assured they are making the right decision in going with a Business Broker and not leaving money on the table. Communication efforts should focus on ‘Only Paying For Success’, ‘Getting The Best Returns’, ‘Managing The Process’, and ‘High Success Rates’. These types of messages are most meaningful to Business Owners.

Communication efforts should focus on online sources, industry, trade and business publications along with opportunities to be featured on television news channels. Social media networking sites (Facebook, YouTube, Instagram, LinkedIn and Twitter) are also effective channels for reaching Business Owners, particularly among Business Owners ages 18-44.