Proprietary deals are like the Yeti: you've heard about it, you think that they exist somewhere, but you may not have actually seen one. Those that do exist often have an under-motivated seller. The best evidence that a seller is motivated is their investment in the sale process itself: retaining a qualified investment banker.

To consummate a deal, two things are needed: a motivated buyer and a motivated seller. It sounds so obvious, yet buyers and sellers alike seem to forget this point as this waltz down the primrose path of dealmaking.

Buyers often start from the premise that buying a company directly, with no "middleman" involved, leads to a better deal and better ROI. Private equity firms pay business development specialists high salaries to "beat the bushes" and "find us that proprietary deal." This ardent pursuit is based on a false premise, because it assumes that the seller is motivated. Some sellers are, but many are not, because the buyer's outreach was unsolicited. They may agree to the meeting, but whether that meeting is actually productive is often an open question.

Let's take a real-world scenario: your business development person has unearthed that "holy grail" deal: the unbanked seller. Your team meets with the management team over dinner. After the bonhomie and wine have evaporated into the ether, the talk turns to valuation. You have your ideas about it; they have theirs. Your estimation of the value of the business and theirs are pitifully far apart. In your view, their valuation is untethered to any objective reality. The seller's management team doesn't happen to agree. After all, you asked for the meeting, not them. The outreach and meeting are a waste of time.

Does this scenario sound familiar?

The problem is that the seller in the proprietary deal is often under-motivated. Motivated sellers show their motivation to the other side mainly by hiring a capable investment banker. The retainer that a banker typically charges establishes that the seller has invested in the sale process, even as they try to manage their burn rate and maximize EBITDA during the sale process. **A vitally-important role that the investment banker plays is to manage the seller's expectations regarding valuation.**

Investment bankers are motivated already through their fee structure, but if the "usual suspects" do not respond favorably, the next step is to expose the deal to other buyers. Platforms with a broad database can often find buyers that the banker didn't have on their original list. Dealounge listings do not disclose either the client name or the sell-side advisor's identity, so there is no downside to their brand, and bankers run their process without interference.

Bringing "eyeballs" and connecting *incremental* buyers are reasons to use a deal platform that has a database and a built-in audience to which to market the deal. The use of such a platform demonstrates the banker's willingness to use whatever means are necessary to get the deal done.

Motivated buyers show their motivation by paying to connect on deal opportunities. From the standpoint of the investment banker, this is a high-quality lead, because the buyer has paid to be part of your process. What is the cost of acquisition of that lead? Sell-side advisors list their deals on Dealounge for free, so the cost of acquisition in zero.

A good way to get started on a platform is to submit your buyer list on a deal. A platform having a database and a built-in audience can often find buyers that are incremental to the process, and are likely to have interest. Due to the anonymity of listing on the platform, there is no downside risk to the banker's brand.

*Erik Klinger is the founder and CEO of Dealounge, a deal platform in the lower middle market, where investment bankers list their slow-moving inventory and broken auctions for free.*