Top Ten Tips for increasing business values!

Should you be thinking of selling a business in the medium term or if you know a business owner who might be - our top ten tips for increasing business values are as follows:-

1) **Focus on selling.** Nothing happens unless selling is taking place. Concentrate on selling the *benefits* of your products and services rather than just the *features* of your products alone. You don't have to have the best products but an "outstanding service" can lead to an "outstanding performance". Selling is a numbers game (it is easier to approach twice as many prospects than to suddenly become twice as good a salesperson) so make sure the activity level is going up - not down! Companies get strung along into receivership because they can't sell or can't get the money in; buyers can then buy your business for next to nothing.

2) **Review your sales plan.** There are only 4 ways to grow a business - (i) Growth by acquisition, (ii) Increase number of customers, (iii) Increase transaction values by selling more products & (iv) Increase frequency of sales. Find out more by attending our "salesENRICHED" course (1st & 2nd July 2010). Normally £995 per delegate but as a valued or potential Stirling client – just £495 for further details contact 01905-621566 quoting "Stirling Ref 1013".

3) **Increasing sales/profit record.** Aim to demonstrate consistency, preferably with increasing sales/profits, it will help substantiate the asking price and one less reason to talk the price down. Remember that loss making businesses are difficult to sell - if possible, turn the business around first and then sell.

4) **Review the marketing plan.** Marketing can be best summed up as "identifying and supplying a customer's needs at a profit". Treat marketing as an investment rather than a cost and work out how much you would be prepared to invest in order to gain a new customer. Review new markets for existing products or new products for existing markets (be wary of new products for new markets as this is where the greatest risk lies). Try, test and measure at least 10 different marketing methods to gain new enquiries and customers - cut out the ones that don't work and invest heavily in the ones which do. Gain customer feedback on your products and services.

5) **Review the Customer Base.** If your business *becomes reliant on any one customer*, don't expect the same price for the business where *a business does not have to rely on any one customer*. Buyers don't like taking on high risks, so why should you - make sure the risk is spread, with no more than 10% reliance on any one customer. Also, try and cultivate customers who are prepared to agree to "rolling contracts" so that sales become more predictable - businesses with sales contracts in place are more valuable on price/earnings ratios when the time comes to sell.

6) **Review prices and margins.** The more profit you generate, the more valuable your business will be. People think customers buy on price but they rarely do - only 10 to 15% of the public buy on price as what customers really want is value for money - the prouder the price, the better the deal! The most successful businesses are customer led; they don't necessarily have the cheapest products. Put prices up if discounts are required. Pricing is key to profitability - for a 30% Gross

Margin business, if you reduce prices by 10% then you will need a 50% increase in sales just to stand still; a 10% increase in price, you would need a 25% drop in sales volume before you start losing out! This principle is often misunderstood, so if not accepted in your business, we can provide a telephone conference meeting and talk it through for free!

7) Value your assets. The greatest asset in any business is People followed by Customers. Make sure you have the right people, sitting in the right seats, preferably before you start driving the bus in the first place! Make sure everyone has a Contract of Employment and Job Description in place (these will come up in due diligence). Look after your key people - losing them at the time of selling a business will probably jeopardise the deal.

8) Review the Management Structure. Businesses are difficult to sell if the Business Owner "is the Business". The 3 main roles are Make it (Ops), Sell it (Sales), Count it (Finance). Find ways of making sure the business is not reliant on the owner - look at the management team to see where additional responsibility can be taken on or consider employing someone to take on tasks to enable the business to become more "independent" of the owner rather than totally "dependent". If the senior team is too small, consider taking on a non-executive Director or Consultant to benefit from their outside knowledge & experience and offer them as "continuity" when negotiating the business sale. Make sure Board meetings are held regularly with an Agenda and Minutes/Action Points recorded - don't miss "future business development".

9) Make sure your information is up to date. A well run and administered business will increase the perceived value and nothing puts off potential buyers off than lack of up to date information. This includes Statutory Accounts, Management Accounts, Order Book Values, Staff Contracts of Employment, Staff Handbook, HR records, Job Descriptions, Copies of Leases, Asset Lists etc etc.

10) Contact Baxter Associates! Don't over estimate the current value of your business if you are looking for a quick sale without thinking it through - it will only lead to time wasting, frustration and disappointment. Take professional help and advice in developing and selling a business successfully, *before* the time comes to sell. Our main purpose is to add value to people's lives, starting off with the first meeting free and without obligation.