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Maximizing the Value of your Business

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5 Principles That Will Increase the Overall Value of your Company

Building value into your business is not unlike building value into your home. What makes the difference whether someone pays top dollar for that home? Typically it comes down to the quality of the home from a structural standpoint, the type of neighborhood it's in, the local school system, the neighbors, the upkeep and aesthetic qualities of the home and the layout or floor plan of the house.

Building value into a business is similar. A sophisticated buyer pays more for a business that has better than average revenue growth, has a set of quality internal processes, has long term and high quality customer relationships, has a good brand in the industry and is structurally sound.

As the owner of a privately held business, your company represents your biggest and most important asset. The difference between a

planned and an unplanned exit can be very significant.

It is important that you understand that as the owner of a 3rd party logistics company, you have two key roles—CEO and shareholder. As CEO, your job is to make the best decisions for the business. As shareholder, your job is to make the best decisions about your investment. When it comes time to exit a business, these two roles often do not necessarily coincide. Effective exit planning must therefore take into account the differing needs of each role. It helps to understand the key principles of exit planning:

1. **Understand the full extent of exit planning.** Exit planning encompasses a wide range of activities that include:
 - Deciding how, when and to whom to sell the business
 - Identifying a successor if you intend to transfer ownership rather than sell
 - Determining what you will do with your life when you no longer own/run the company
 - Taking steps to

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maximize and protect your assets (estate planning)

to maximize value, you automatically keep the business in shape to sell.

Exit planning is a process, not a one-time event; it can take several years to develop an effective exit plan. Once in place, it should be revisited on a regular basis as business and life circumstances change.

- 2. Separate the job from the investment.** Exit planning for the CEO involves figuring out what to do after the business. Exit planning for the Shareholder involves turning an illiquid investment into cash and investing it in something else. In a successful exit, each role accomplishes its separate goals.
- 3. Position for the transaction.** Selling a business is much like selling a home—in order to receive full value, you have to get it in top shape. Because positioning a business for sale can take several years, you should be managing the company to maximize shareholder value rather than just top-line growth. By focusing on the areas needed

- 4. Time your exit.** Receiving maximum value for your business requires selling at the right time, which means paying attention to market and business conditions. Market conditions encompass things like interest rates, merger and acquisition trends and the availability of investment capital. Business conditions have to do with your frame of mind in regard to running the business.

Let me tell you a story of two businesses, one owned by Frank and one owned by Karen. These businesses performed the same service, had the same number of employees, had the same revenues and roughly the same profitability and both were sold within 2 years of each other. Karen's business sold for five times more than Frank's business. The same business service, same size, but one was valued at five times the other. How can this be?

Well it happens every day. While Frank was focused on tax minimization in his business, Karen

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was focused on value maximization.

It is a tragedy in our industry that many business owners who have spent their entire life building and caring for their business are building businesses that have little to no value when it comes to selling and are shocked that there are not a slew of buyers waiting to throw top dollar at their businesses. Frank was one of those business owners. He spent a significant effort to build his business, but he had not focused on the areas of his business that make his business valuable as an asset. Karen on the other hand had received sound advice and had prepared her business well in advance of the sale date.

I am Frank in this story and how foolish I felt when I learned about value maximization and value maximization principles. I vowed at that time to run whatever business I was responsible for in a value maximization mode. To my delight, the next business that I started I used these value maximization principles. I sold my new business for 35 times earnings after 4 years of operation (note: that was a very unusual case, but it does illustrate the point).
Lesson learned.

What is Value?

When it all comes down to it, the value of a business is what a buyer is willing to pay for it. Typically value is determined by the book value of the assets and discounting the free cash flow of a company. But value is also determined by the revenue growth of the company compared to the industry average, the quality of the internal systems and technology, the quality of the employee base and the quality of the customer relationships. All of these factors make up the overall value of a company and factor into the decision of what a buyer will pay.

The commonly stated goal of publicly held companies is to maximize the value of their stock, which is the same as saying, maximize the value of their company. The focus on this objective gives the public company a very tangible goal against which business decisions can be made and evaluated. Private companies, on the other hand, do not typically have value maximization as their goal, but should. Value maximization should be adopted as a core strategy for private companies, especially those that are planning for some kind of a business transition (sale or

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succession) within the next five to seven years.

Boards of directors of public companies use enterprise value as a way to evaluate their management teams. Similarly, private company owners can use business value to evaluate how well their key managers and the overall business are performing. By setting a value maximization goal the owner is providing a clear directive and a new challenge for the business. This will have the potential side benefit of making the business less dependent on the owner and more dependent on the managers, thus increasing the value of the company by mitigating the risk of having too much dependence on one or two individuals.

For those companies too small to have a management team, the company still benefits, because the owner is maximizing the value of what is, probably, his/her biggest asset and will benefit from a higher price when the owner decides to sell.

The first step in the process of maximizing value is to set a value goal by developing a clearly defined exit strategy. Once this goal is established then it is necessary to

establish a benchmark of where you are today by taking a comprehensive assessment of your business through a current valuation of the company, and an identification of those areas in your business that are holding the value of your company down. The primary areas to examine are revenue growth, maximizing your free cash flow (or earnings before interest, taxes, depreciation and amortization EBITDA), improving the quality of your customer relationships, dominating your market position and upgrading your brand identity.

Value Maximization Principle #1 Revenue Growth “Are you in the right neighborhood?”

You don't need to be growing wildly in order for your business to achieve top value. In fact, growth that is too fast, for established businesses, may actually negatively impact value. First because no business can sustain rapid growth for very long, and therefore future growth prospects will not be valued as highly as past growth. Secondly, rapid growth often negatively impacts a

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company's earnings. Growth that is markedly above the industry average is the best growth because it is manageable but yet shows that the company is out performing its peers. If the industry growth rate is 5% and you are growing at 10% then you can claim a premium on value.

Consistent growth is also very important, showing that you have sustained that 10% growth over the past three to five years will help support your claim that you are an above average performer and thus worth more than the average company in your industry.

Organic growth is always the best and most valuable growth, but growth through acquisition can also increase value if true synergy is realized by the combination of the two companies brought together. The key is to have revenue growth that outperforms the industry average, without growing too rapidly.

Employing these 10 strategies will help you develop growth that maximizes the value of your business:

1. Make everyone in your company your Sales and

Marketing department.

Make sales and marketing part of everyone's job description. All employees want to be part of a company's growth agenda, but most don't know how. Managers need to provide them with both information and tools, starting with making revenue growth an inherent part of daily conversations, meetings, and presentations.

In one company I was responsible for, every job had a sales quota, including the receptionist. The expectation for everybody in the company was to increase sales and revenues. A culture was built around this concept that drove how we managed, who we hired and the internal esprit d'corps.

Just as everyone contributes to developing the expense budget, everyone in the organization must contribute to the success of the revenue plan. Every time an employee makes a contact with a customer it is an opportunity for revenue growth, and conversely can be an opportunity for revenue loss if the employee is not bought into this concept. Those answering phones can provide great insight as to the unmet needs of the customer. Salespeople can be the best source

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for ideas on new product development and warehouse workers and truck drivers can help stores and factories avoid stock-outs and thus provide customer satisfaction which helps fuel future revenue growth.

Growth provides excitement and incentive to employees and makes the entire organization more productive. Profitable growth will feed upon itself; however it is very important that once you develop a growth engine not to over tweak it too much as to lose its momentum.

2. Focus on the daily routine sales and don't waste time Elephant hunting.

While Elephants can provide the opportunity for huge, one time increases in the growth rate, finding them can take too much time and success is unpredictable. Acquiring regular ole customers is the best way to maintain sustained growth. These sales result from the day in and day out slogging of adding a customer one at a time. This is the best sales system to install in your company.

Increasing revenues through one sale at a time builds a growth mindset throughout the business, so that when the opportunity for an elephant does come along, you'll be better

prepared to take advantage of it.

In one company that I managed, we had two sales groups, the telemarketing group and the national accounts group. The telemarketing group performed the tedious task of making daily calls to prospects to sell a \$300/mo service. The national accounts group called on larger companies to sell a \$10,000/mo contract. Our average telemarketer closed 20 sales per month, while our national accounts rep closed 5 new accounts per year. Those 20 sales per month ended up providing \$75K per month in revenue contribution while the national accounts salesperson contributed only \$50,000. And if we lost a national account there went 20% of the salesperson's revenue, but if we lost a smaller account it was insignificant. The oneseetwosee sales are the backbone of any organization.

3. Create a Plan focused on Growth.

Develop a revenue budget. Most budgets have hundreds of line items focused on expenses but few, if any, line items focused on revenue.

Develop a budget and revenue plan that clearly outlines how you are going to achieve your growth targets. This tool will give you a

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clear roadmap of HOW you are going to achieve your plan instead of just talking about it. Plus it gives you metrics that you can use to measure success with.

4. Focus on *Value Maximizing Growth*.

Value focused growth increases revenues while increasing profitability. Value growth is sustainable over time, and is generally funded out of cash flow. Value focused growth is internally generated and based on providing unique products and services that fill new or unmet needs, creating value for customers. Develop within your company the systems that reward value maximizing growth.

Although growth through acquisition can provide increased value it only does so if true synergy is realized. Acquisitions can be a very effective strategy for increasing shareholder value and can be a good way for companies to achieve excellent growth and transform their businesses. However, they can also be one of the fastest ways to lose value and bring down an entire company.

Done right, acquisitions can lead to tremendous opportunity, done wrong

disaster. Studies show that acquisitions are a 50/50 proposition, that is, 50% of all acquisitions fail to deliver the value promised, which means that 50% of them deliver as promised.

The goal of any acquisition is to develop synergy, that is, the organization that is created post acquisition should be worth more than the two organizations are worth on their own. You can achieve synergy in an acquisition, but it must be understood that there is no inherent synergy between two companies brought together. The synergy, if any, results from the specific process of integrating the two companies. A claim that there is a potential for synergy is meaningless unless both the source and effect of that synergy are explicitly identified. Synergy must create economic value. You need to know up front why you are doing the deal and what you expect to realize (that is, the strategic importance to your company) from making an acquisition.

So where does the synergy in an acquisition come from? It generally comes in three ways.

- **The first is by increasing productivity**, that is, you will

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be able to sell more for less cost than you did before.

- **The second comes from increased market share** through access to new customers and new services. You will have the opportunity to leverage each others customer base and service offerings, so that you end up with more business than the two of you had before individually.
- **The third type of synergy is when the combined company is able to enter markets** or appeal to customers where neither of you could on your own, thus creating a new market where one had not previously existed.

Organic, internally generated growth is by far the best and most value enhancing growth that you can have. Much care and attention needs to be given if you plan to grow through acquisition, seek professional guidance, and have a strong strategic reason for making any acquisition.

5. Create URGENCY around Growth.

Don't accept excuses as to why the business can't grow. Excuses such as

“customers are only buying on price” or “we are in a no growth industry” need to be eliminated from any discussion that you engage in with your organization, customers, vendors, advisors or neighbors. Just eliminate it! Communicate urgency about the need to increase revenues and build the business so that action-oriented people within your organization find out what needs to be done today.

6. Create a Culture of growth.

Culture comes primarily through communication and action. Develop an explicit growth agenda and communicate it as often as possible, in everyway possible. Through employee meetings, newsletters, emails or whatever means you have available. Develop reward and recognition systems that highlight growth. Follow through on actions, model the behavior, and enlist the help of everyone in your organization to focus your company on growth.

7. Operate From a Mindset of Abundance.

Often when an organization is confronted with stagnant growth, they will go into the “do more with less” mode. Unfortunately more often than not when operating in this

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mode the focus is on the *less* as opposed to the *more*. Keep your organization focused on the “do more” actions and reward those that are doing MORE with less, and not those that are doing more with LESS. Actively seek ways and ideas for getting more revenue growth without using too much resource to do so. In the military they have a concept that says put the greatest amount of force at the point of attack. In business it is the same way, concentrate your efforts in those areas that will provide the best results, eliminate (do less) those areas that are not fruitful.

8. Increase Promotion that provides Prospect Lead Generation.

Focus your marketing efforts on ways to generate leads for your sales team. Qualified leads are one of the best morale boosts that you can give a salesperson. Most marketing efforts are focused on brand recognition or PR. These are okay in some circumstances. What are usually missing from most marketing programs are efforts that focus on generating qualified targeted leads. Concentrate activities on developing a clear market segmentation map and then identifying and precisely defining

which customer segments to focus on. Analyze how the end-user uses the product or service and what competitive advantage will be required to win the customer and at what price points. And then focus your promotional efforts at those targets and segments.

9. Implement solution selling and cross selling programs in your business.

Solution selling (or value selling) programs start with identifying a customer segment and then defining a mix of products or services that they need and then creating an offering that satisfies that need. Cross-selling is then identifying what other services or products that you currently have that can be part of that solution.

Don't ask “What more can I sell my customer?” start by saying “What else does my customer need?” Then, to be effective in your solution selling, make sure that your solution is presented to the right decision makers and in the language of the customer. Make sure that it clearly spells out the benefits in terms of the financial and non-financial aspects of the program.

10. Don't forget disciplined cost control.

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Revenue growth and cost control are not objectives that are in conflict. To ensure that you have the ability to fuel your revenue growth you must have a disciplined day-in and day-out program of cost productivity improvement. Not only is it imperative for a competitive advantage, it provides the funding for future growth.

Value Maximization Principle #2 Maximizing EBITDA “Do you have the right floor plan?”

Earnings Before Interest, Taxes, Depreciation and Allocations (EBITDA) makes up the “free cash flow” that is generated by a business. Maximizing this free cash flow must be a key component to developing a highly valued business. Many valuation methodologies use a discounted free cash flow approach to identifying the value of a business. Maximizing EBITDA is a by product of making your organization more efficient.

Creating efficiencies is not the same as reducing costs. Business owners often translate lowering costs as being more efficient. Often it has

just the opposite effect. When you just cut costs as your only strategy to improve EBITDA you will often stifle productivity gains, and cause people to work harder, eventually burn out and lose any gain that you may have realized in the short term.

Cost reduction is a by product of productivity improvement. If you make cost reduction your focus, then you will only have a short term gain and eventually lose value, long term, in your company. If you make productivity improvement your goal then you will have long term impact. Reducing costs through more efficient operations is the only way to realize increased long term value for your company.

Creating a more efficient organization, and thus a more valuable company, is a function of investing in and committing to improving your internal processes, investing in your employees and applying technology solutions to help gain more efficiency and control over your business.

Improving Internal Processes:
One of the most effective ways to increase value in your business is to develop and implement a process improvement plan. Almost all

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businesses have the opportunity to improve internal processes. The best approach to follow is to focus on the 80/20 rule and identify the major processes (the 20%) and focus on them.

The key to improvement is the ability to identify and map out processes, apply metrics to the process and then identify potential improvements. As you implement these improvements make sure that you measure the effectiveness against the original benchmark.

Start your internal process improvement project by first analyzing and identifying productivity problems. Your employees will help here, but be careful because employees are vested in the way things are. You have to show strong leadership and be ready to make hard decisions regarding process improvements. Using outside consulting resources can often be the best way to clearly identify productivity problems.

Once you have identified the productivity problems you need to identify potential solutions. There are many problem solving techniques that you can adopt, and it is important that you use a process or

system in order to set criteria for solutions. Not all solutions are equal, and setting criteria upfront for what types of solutions that you will consider is important.

Next you can apply creativity techniques in order to generate innovation. Here is where your employees will be most valuable. Once they have accepted that change is needed, they will be the best resource to brainstorm new ways to work. Create incentives to help motivate participation in the process improvement process. Do not be scared to try some ideas and if they work, stick with it, if not do not hesitate to change. This is a continuous improvement process, understanding that all process, no matter what state they are in can be improved.

In order to realize maximum success in your plan you must establish measurable, specific improvement goals. Measure your success against these goals on an on-going basis. Develop a dashboard of metrics that you and your team can review and trend them out over time to see how you are improving. Share the results with your team, and set goals to achieve when creating your performance metrics.

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Investing in People:

In most businesses, people are the primary asset of the business. If they were machines, you would have to maintain and upgrade them from time to time. You need to approach your people with that philosophy in mind; they need attention, maintenance and upgrading from time to time.

Provide training. This must be an essential part of your overall plan. Ill-trained employees cost you far more than the cost of the training. Improving value in your organization will often result from how well your employees work your system. Properly trained employees can be your best contribution to profitability and EBITDA maximization.

In order to provide training, make sure you have clearly identified the objectives of that training. Start simple and grow from there. Identify metrics that will allow you to know if you have succeeded with your training program.

Have a clearly defined and obtainable incentive program. Pay for growth if you want growth. Establish a compensation plan that rewards all for growth in your

business. I have seen companies transformed just by changing the compensation structure of the employees. Don't be afraid of star performers who could ultimately make more money than you. Reward star performers and recognize success behaviors on a regular and frequent basis. This can change the morale and the performance of your company overnight, if done right. Incentives can be used not only for sales improvement and revenue growth, but also for productivity improvement and EBITDA growth. Don't be shy about incenting your employees, as long as the incentives are measurable and real.

Deal with employee performance problems head on. Do not wait, do it now. The biggest problems in business generally result from poor employee performance. Do not be afraid to get rid of poor performers. It is best for you and best for the employee. I have almost never had a situation when I fired an employee that they did not end up in a better situation for themselves.

If you believe that an individual employee's performance can be improved then deal with that immediately. Many poor performing employees are untrained good

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performers and just need some coaching and attention in order to transform their performance. Deal with these right now and place them on a performance improvement plan. Here are some suggested steps to conducting an effective performance improvement conversation:

- 1) Start the conversation stating something the employee does well. This will help the employee be more open to hearing about where improvement is needed.
- 2) Describe the problem (performance issue) clearly and in a non-threatening way. Talk about the specific behavior and refrain from discussing personality traits. Discuss what the person did and not who the person is. Always remain positive explaining that you will be an active partner in correcting the situation.
- 3) Ask for the employee's help in solving the problem. Mutually discuss alternative solutions and mutually agree on actions to be taken to solve the problem. Try to use the employee's solution where

possible. When the employee's ideas are part of the solution, he/she will be more committed to making it work.

- 4) Provide resources to help. In some instances, there's an easy remedy to the situation. Possibly a better process/procedure is needed to help the employee become more efficient. Alternatively, the employee may need some additional training or a class to develop a certain skill.
- 5) Set a specific action plan with follow up dates. Ask questions to make sure the employee understands what is expected. Then develop an action plan that specifies performance expectations and the date for completion. (E.g. the first draft of the PowerPoint presentation should be completed in one week.) You should ensure that there are checkpoints along the way so that there's an opportunity for changing course if necessary.
- 6) End on a positive note. It is important to communicate to

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the employee that you are confident he/she can solve this problem and make a positive contribution to the organization.

7) Follow up and recognize improvement. Remember to hold the follow up meeting when you initially specified. Recognize any improvement and continue to coach the person in sustaining this improvement. If improvement has not occurred, then move to the disciplinary process.

Although these steps cannot ensure improved performance, they are a start in the process. Improving employee performance can be a win-win for everyone. The employee wins by learning what is needed to enhance performance, thereby changing behavior and becoming a more productive member of the organization. The manager wins by counseling a person to achieve desired behavior thereby resulting in a more productive and satisfied employee. Lastly, the organization wins by retaining motivated employees who understand their role and the roles of others in contributing to the goals and culture of the organization.

Applying Technology Solutions:

The quality of your technology can have a very significant impact to the value of your business.

Understanding your market, the technology available to you and understanding your potential exit strategy is imperative in your technology selection and application process. Having a quality technology backbone that is scaleable and meets the needs of the organization and marketplace, will positively impact the overall value of your business.

Understanding your market. You must be crystal clear on the needs of your customer base when it comes to technology. What information will customers expect from you, how much integration is necessary with your customers today and in the future, what reports will be required, and how rapidly do these requirements change. Understanding your market will help you to answer these key critical questions that affect your technology deployment choices. Look to see what competitors are doing; ask probing questions of your customers as to their expectations today and for the future. Having a clear, market supported technology roadmap will

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add value to your business.

Understanding available technology.

You as a business owner should have a good understanding of the technology available to your business. Technology is a critical key component of business today, and if you do not take the time to understand your current technology in force as well as the technology that is available to you, you are short changing the organization and holding down the value of your business.

Understanding your exit strategy.

Technology can play a major role in the execution of your exit strategy. By having a clearly defined strategy, you can build a technology infrastructure that supports this. Understanding potential buyers, and their technology platforms, as well as their capabilities will help you make decisions about your own deployment. Understanding your timeframes will also help you make decisions about what technologies you need to have now and what it is that you can put off for the future. Without a clearly defined exit strategy, your technology implementation may be too much or too little, you will not know unless you have defined your timeframes

and objectives.

Value Maximization Principle #3 Customer Relationships “How about the neighbors?”

The quality of your customer relationships will have a major impact on the value of your business. High churn, non committed customers will bring down the value of your business. Slow pay and high bad debt write offs are sure ways to minimize the value of your business. Customers without contracts, or some form of loyalty will almost always bring the value of your business down. Having quality customer relationships is a key critical component for maximizing business value.

Improve customer retention. If you do not know your customer retention rate, you are missing out on a very important management metric. Measuring customer retention is the first step in improving retention. Measuring the day's sales outstanding—DSO—or your accounts receivable aging is critical to understanding the quality of your customer relationships. Focus on improving the customer retention

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rates and DSO rates to help improve the value of your business.

Your customers should be profitable customers. Understanding profitability per customer will help you make better sales decisions and better ensure your long term viability in the marketplace. Clear terms with your customer should be enforced and aggressive management of those terms is necessary for building a more valuable business.

Audit your sales processes to make sure that qualified customers are being sold, and that those customers are being sold the right product or service. Often poor performance in the customer retention rates and the slow payment of bills is a direct result of poor sales execution. Look to your sales team for help in solving these problems.

Ensure that customers have binding agreements and are rewarded for loyalty to your business. This helps to ensure long term business success. Spend time with your customers understanding their needs and desires. Establish customer surveys, focus groups and advisory panels to help you make quality decision about your products or service.

Train your staff on the art of good relationships. All of these actions will help drive improved customer relationships, but it does not stop there. Your staff should all be trained in techniques that help develop and solidify customer relationships, to build quality relationships with your customers. Here are some techniques that help to develop good relationships with customers;

- Be Consistent. Consistency and predictability are often the primary reasons that customers use your service or buy your product. You may not have the best that is available but if you are consistent and the customer knows what it is that they are going to get, they will stay with you.
- Make customers feel comfortable. Think about what makes you comfortable with someone. Generally it is when that person is sincerely and genuinely interested in you. You are not unlike your customer; they will feel comfortable with you if you are sincere, and interested in them and their issue. Make

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them feel like they are the only customer you have, give them what they want. Comfortable customers come back and back again.

- Over serve. Give them more than what they expect. Where I live there is a tire store that lives by this principle. When you drive in, they run to your car to ask you how they can help. When you have a flat tire they fix it as soon as you bring it in, for free. This chain has hundreds of stores and has grown to over \$2B in revenue, just by over serving customers selling them tires. Customers will reward you if you first reward them.
- Be clear in your communications. Spell out your commitment in writing. Make your message simple and understandable. Make all of your marketing materials and advertising easy to understand. Be consistent in what you say. Clarity builds trust, and trust build loyalty, and loyalty builds revenue.
- Be quick to respond. Quick response shows respect for

your customer. Customers that feel respected are the best advocates for your business. Do it now is a principle that you should build into your culture.

- Have a passion for you business. It has often been said that enthusiasm makes the difference. People like to do business with people who love what they do. People often buy on emotion. You can strike that emotional element in your customer with the passion and enthusiasm that you have for your product or service.
- Say Thank You! Do this in many different forms. With letters, notes or in other ways such as future discounts and loyalty rewards. Saying thank you shows the customer that you know who the customer is.
- Use your customer's name. The most powerful word in a business vocabulary is a person's name. People love to hear their name. Saying their name makes them feel important, and it shows that

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you care and have respect for them. Names are often the hidden tool for effective sales and relationship building.

Value Maximization Principle # 4 **Market Position** **“Is your house in the right neighborhood?”**

Having a strong and well defined position in the marketplace is a sure way to improve overall company value. Market positioning is how your target market defines you in relation to your competitors. In order for you to have strong market position, your target market must understand what it is that makes you unique and why this uniqueness is considered a benefit to them as a customer. Both of these conditions are necessary for good market positioning. So if you are the only trucking company with a 70-foot low cube refrigerated trailer, does your market consider this a good thing?

It is important to understand your product or service from your customer’s point of view relative to the competition. How do they view you in regards to their other choices

and do you provide a distinct and unique benefit that they can not obtain from their current provider or the myriad of choices available to them. Positioning is important because you are competing with all of the noise and alternatives out there. You are competing for your potential customer’s attention so that if you stand out with a unique benefit then you have a better chance of getting your prospect’s attention. Getting your customer’s attention in a strong way is a sure way to increase the value of your business.

In order to begin positioning your company there are two areas that you need to consider.

- 1) What is the market environment like today and what will it be like in the future and
- 2) What is your competitive advantage in that market?

If you cannot answer these questions then you cannot properly position your product or service in the marketplace.

To make sure that you properly position your company you need to understand how the market is currently getting its needs satisfied. In addition you need to understand what the switching costs are to move

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to your service or product and how the competition positions itself in the market.

To build a clear competitive advantage you need to show and sell the benefits of your service or product in a way that the customer will understand and accept. Quantifying those benefits and backing those numbers up with case studies or other clear examples will help. Being clear and keeping it simple should be your goal in developing and communicating your competitive advantage. In order to establish your competitive advantage you need to consider your positioning strategy, your market segmentation approach and the strategy that you are using to differentiate your product or service

Positioning Strategies. There are several positioning strategies that can be pursued. You will need to select a strategy and then make your message clear and simple to your target market. The following positioning strategies can be used.

Position for Product or Service

Attributes: What are the specific product or service attributes that are unique to your company? How are they unique? And what benefit does

that provide to the customer? You can use this strategy to position yourself, but remember that it is not the feature set that is of interest to the customer, it is how your customer benefits from that feature set. Focus on the benefit or the solution that you bring in your positioning.

Position for Unique Usage. Do you have a product or service that can be used in a unique way, are there usage patterns that your product or service specifically addresses?

Position for Specific Users: Identify a specific class of users and then target them exclusively. Understand your user base and what makes them unique, how to communicate with them and how they benefit from your product or service.

Position Against a Competitor:

Position yourself directly against a competitor. This is often the case if you are the number two or three player in an industry dominated by a single company. Create a set of benefits that clearly shows your difference against the competition, and sell those benefits aggressively.

Position Away from a Competitor:

Sell the differences between you and

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your competitor. When you have defined competitive differentiators and customers can clearly see that difference, then you can position yourself away from a competitor. When positioning away from competition the differences that are promoted for a product or service must be:

Important: The difference delivers a highly valued benefit to the buyers.

Distinctive: Competitors do not offer the difference, or the company can offer it in a more distinctive way.

Superior: The difference is superior to other ways that the customer might obtain the same benefit.

Communicable: The difference can be explained and communicated to the target buyers.

Preemptive: Competitors cannot easily copy the difference.

Affordable: Buyers can afford to pay the difference.

Profitable: Company can introduce the difference profitably.

Positioning and Market Segmentation. When positioning your business be clear as to how you are segmenting your market. There are three types of segmentation:

Mass: Positioning this way allows you to go after the whole market with one offer and focus on common needs rather than differences.

Variety: Positioning for a variety of markets requires that you target several market segments and design separate offers for each.

Target: Large share of one or a few sub-markets. Good when company's resources are limited

Positioning is often the hidden element that helps to drive value. Companies that are well and deliberately positioned are more likely to command a higher value than those that are not. Most mid-market companies do not strategically position themselves, but

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often find that they are successful because they have assumed a position in the marketplace that was left available by competition. Own your position, understand your position and work to be experts at market positioning.

Value Maximization Principle # 5 Business Identity “How’s the paint and landscaping?”

One of the truths of modern business is that there is almost nothing that your competitors can't duplicate in a matter of weeks or months. If you have a great idea, you can be certain that somebody will copy it before long. And not only will they follow your lead, but they may also be able to do a better job or sell the product or service at a lower price. The question then becomes, "What competitive edge do I have to offer that cannot be copied by anyone else?" The answer? Your brand.

Creating a strong brand identity will build mindshare — one of the strongest competitive advantages imaginable. As a result, customers will think of your business first when they think of your product or

service category. For example, when you think of tissues, more likely than not, you think of the Kleenex™ brand. And when you're looking for tape to wrap a present, Scotch™ is the brand that springs to mind. Likewise, when your child wants a hamburger, he will often say he wants to go to McDonald's™. The reason behind these strong brand-product associations is that these companies have built rock solid brand identities. A brand is the one thing that you can own that nobody can take away from you.

Increased value is often derived from the strength of your brand; this is called brand equity, or the worth of the brand. Brand equity, unlike other abstract marketing notions, can be quantified. The importance and value of branding becomes apparent when an entrepreneur wants to sell his or her company or take it to Wall Street for a public offering or other infusion of capital. It is often the brand that a business owner has to sell in such cases.

Because of the competitive nature of business today, nearly all industries can benefit from a branded product or service. All of the traditionally brand-conscious industries, including fashion, restaurants and

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consumer goods, are being forced to continue to brand heavily — perhaps even more strategically than they ever have in the past. Financial services, which were one of the last frontiers, are even beginning to see the importance of branding by tagging banking packages and even mutual funds with catchy names. Even industrial markets, where cost is usually more of a loyalty building factor, has seen brand names creep in.

If your product or service is new or unique, the task of branding is made easier. Since there are no pre-existing biases toward the product or service, it will be easy to manipulate customer attitudes. More often, your product or service will have been in existence for a while and have direct competition. And if it doesn't, it probably soon will. Therefore, products or services that may be roughly equivalent in terms of their features need to have a brand identity that will impact the customer's choice.

Brand identity is comprised of:

- **Pricing** - a component of value; higher prices may signify to consumers higher quality, and lower prices may

suggest decreased value.

- **Distribution** - availability; limited distribution of a product or service may imply exclusivity to discerning consumers.
- **Quality** - which impacts satisfaction; obviously, higher quality will translate to more satisfied customers who come back again and again to purchase your offerings.
- **Presence** - prominence in the paid and unpaid media; products or services with a high-profile market presence will lead to brand recognition and increased sales.
- **Awareness** - top-of-mind awareness, residual awareness and recognition, which are directly related to presence; the higher your offering's awareness, the better your sales results will be.
- **Reputation** - enduring public opinion of brand character, which is built over time and difficult to change once established.
- **Image** - perceptions of brand traits or prototypical buyers; often represented by qualities the customer relates to. Like reputation, image is difficult to change once established.

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- **Benefits** - customers may equate certain positive and negative consequences with use of your product or service; these may be warranted or unwarranted.
- **Positioning salience** - differentiation from the competition, this is established by a combination of all elements of the brand.
- **Preference** - a predisposition to buy displayed by customers who are establishing brand loyalty.
- **Share of market** - increased market share is a direct result of a successful branding campaign.
- **Customer commitment** - loyalty is built through long-term branding and close consumer contact.

The foundation of your brand is its name. After its uniqueness wears off, it will be your brand name against the brand names of your competitors in the marketplace. So, how can you create a name that will stand the test of time?

To create a strong brand identity for your product or service you need to identify the key attributes or benefits that represent the value of your

product or service. That will, in turn, create trust in your brand. As you begin to understand the relationship that your customers have with your brand, you will be able to more efficiently meet their needs, wants and desires through your brand. Positioning your brand is everything.

Join the Value Maximization Revolution

The overriding goal of any public company is the maximization of the company's stock price—that is maximization of the value of the firm. The use of this tool by boards of directors and managers of publicly traded businesses gives their companies a tangible goal against which operating performance can be evaluated. For example, will investment spending on a new fleet of trucks lead to an increase in the value of the firm and therefore the wealth of the stockholders? Or will it lead to overcapacity, a decline in prices, and reduced earnings? Boards of directors are increasingly attentive to holding management accountable for the overall value of the company.

For private businesses, where ownership and management generally are one and the same, I recommend that value maximization

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be adopted as a core management strategy but that its implementation is adapted to fit the different ownership circumstances and ownership transition plans. Owners will not and should not fire themselves if they do not meet their value maximizing targets. Incorporating value maximization into the small, private business sector will help both business owners—who are able to sell their businesses for more money—and the overall economy as private businesses become even more efficient.

TranStrategy Partners is here to help

TranStrategy Partners works with business owners to improve the overall value of their business. TranStrategy Partners provides meaningful corporate and business development consulting, management services, valuations and other business sourcing. Whether you are planning on selling your business in the next year or next ten years, you would benefit greatly by having a value maximization plan. It is one of the most powerful tools that you can employ, because it helps you increase the overall worth of your business.

TranStrategy Partners develops, with business owners and managers, a one to five year business value maximization plan. We first identify the owner/manager's personal goals and then translate those goals into primary objectives for the company. We then work with the executive and leadership team to address the specific business and organizational needs keeping you from achieving your personal goals.

Working with your business, we focus our efforts on developing, improving or enhancing corporate growth strategies, EBITDA, customer relationship management, market positioning and brand identity. All of these are evaluated and programs are designed in order to help companies reach targeted enterprise value objectives.

TranStrategy assists business owners, executives and managers with strategies for responding to issues that are stifling business growth. We then look at these strategies in terms of alignment with company values, customer needs, technology systems, specific skills or core competencies, staff evaluations, and compensation structures. Simply stated, we help you maximize the value of your

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company while making the company an attractive acquisition candidate.

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