

THE DONALD COOPER CORPORATION

Speaking and coaching internationally on management, marketing and profitability



Management tool #B-8: ©

When selling your business, there are 11 things a buyer is willing to pay for:

Every business eventually gets sold either to family members, a partner, a group of employees, or to an outsider...unless, of course, it just quietly and unprofitably fades away. So every business should be run with a successful transfer in mind. Buyers are looking for what they call 'transferable value'. So, in order to make your business more saleable some day, let's look at a checklist of what a buyer is actually buying, to see what might need more attention in your business.

Below, from my bottom-line presentation on "Succession Planning and Exit Strategies", are the 11 things that a buyer is willing to pay for. **On a scale of 1 to 10, with 10 being excellent, rate your current performance in each of these 11: Then, calculate your 'Saleability Score' on Page 2.**

1. **Exceptional, growing and sustainable profitability.** Cash flow is 'king'. Without a healthy and growing cash flow (profitability), no one will want to buy your business, except maybe at a 'fire sale' price that you're not going to like.
2. **A relationship with loyal and profitable customers.** Profitable and loyal customers are the 'well' from which future profits come. Do you have a large number of profitable customers who prefer you, are loyal to you and go out of their way to do business with you?
Do you have a database of those customers and do you use that database to proactively communicate, add value and nurture the relationship? Do you have unprofitable customers that you've not had the courage to deal with?
3. **A trusted, clear and sustainable Brand** is generally worth big money to a buyer. It is the sum total of all the 'good will' that you've built up over the years, one customer at a time. What are you known and trusted for that really matters to a lot of people with money to spend?
A Brand is a promise to deliver a consistent set of values, standards and experiences that your target customers want in their lives. To have a clear Brand you must effectively communicate a clear promise about value and values that resonates with your target customers...then you must live by and deliver that promise, every day. How do you score on this one?
4. **A sustainable and scalable business model.** Is your business model current, sustainable and scalable, or is there some new way of doing business or some new technology or government legislation that could slash your profits or make you obsolete?
5. **A world-class, capable, engaged and empowered Team.** No one wants to buy a business that can't survive without the owner who is about to leave. And no one wants a business full of mediocre, disengaged or toxic employees. Your Team is a big part of your businesses value.
6. **A culture of respect, efficiency & accountability.** Nobody wants to buy a business with a toxic, dysfunctional culture.
7. **Systems, processes and technologies** that help deliver an extraordinary customer experience and world-class operational efficiency. Do you have up-to-date systems, processes and technology, or are you always playing 'catch-up' and making things up as you go along?
8. **Machinery and equipment** that's current, efficient and in good condition.

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9. **Patents, trademarks, truly unique experiences or 'secret recipes'** that provide premium pricing and / or protect the products, brands or intellectual property of the business.
10. **Inventory and real estate.** Is your inventory current and fairly valued, or are you fiddling the books? Are you in a prime location? Do you own the real estate in which you operate? What is the value of that? Often, your real estate is worth more than the business itself. You should own the real estate in a separate holding company.
11. A clear and documented **Vision** for your business that allows a potential new owner to visualize and embrace the 'possibility' of an extraordinary future. If you don't have a clear Vision for the future of your business, purchase my '**Vision Critical Guide**' for just \$24.⁰⁰ at donaldcooper.com.

So, there you have the 11 things that a buyer is looking for and will pay good money for. How does your business rate on 'saleability'? What needs your attention and when will you start? It takes years to get a business ready to sell or transfer. Starting now is a good idea.

To calculate your '**Saleability Score**' out of 10, recheck your individual scores above to make sure you were absolutely realistic. Then, total your score for the 11 points above, multiply that total by 100 and divide the answer by 110.

Your '**Saleability Score**' is ____ out of 10. The closer your score is to '10', the more saleable your business is.

Bonus: 5 reasons why your business may not be saleable:

To figure out whether you are building a profitable and saleable business...or just buying yourself a job, consider these 5 questions...

1. Does most of the knowledge or customer value in the business revolve around you personally?
2. Are you barely making a living?
3. Are you in an industry or market that's unattractive or confusing to most prospective buyers?
4. Are you in a type of business that others could easily start up on their own, without paying you a penny? Are your products or services an undifferentiated commodity?
5. Have you 'fiddled' the books to show little or no profit in order to avoid paying taxes?

If you've answered "yes" to any of these 5 questions, you're probably in trouble when you want to sell your business.

Note: An outstanding book that will help you prepare your business for sale is '**Built to Sell**' by John Warrillow. John sold his business for a ton of money and moved with his wife and family to the south of France...so he knows what he's talking about. Buy the book. To find it, go to '**builttosell.com**', where you'll also find John's very helpful 'Saleability Score' questionnaire.

Donald Cooper, MBA, CSP, HoF, has been both a world-class manufacturer and an award-winning fashion retailer. Now, as a Toronto-based international management speaker and coach, he helps business owners and managers to rethink, refocus and re-energize their business to sell more, manage smarter, grow their bottom line...and have a life.

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