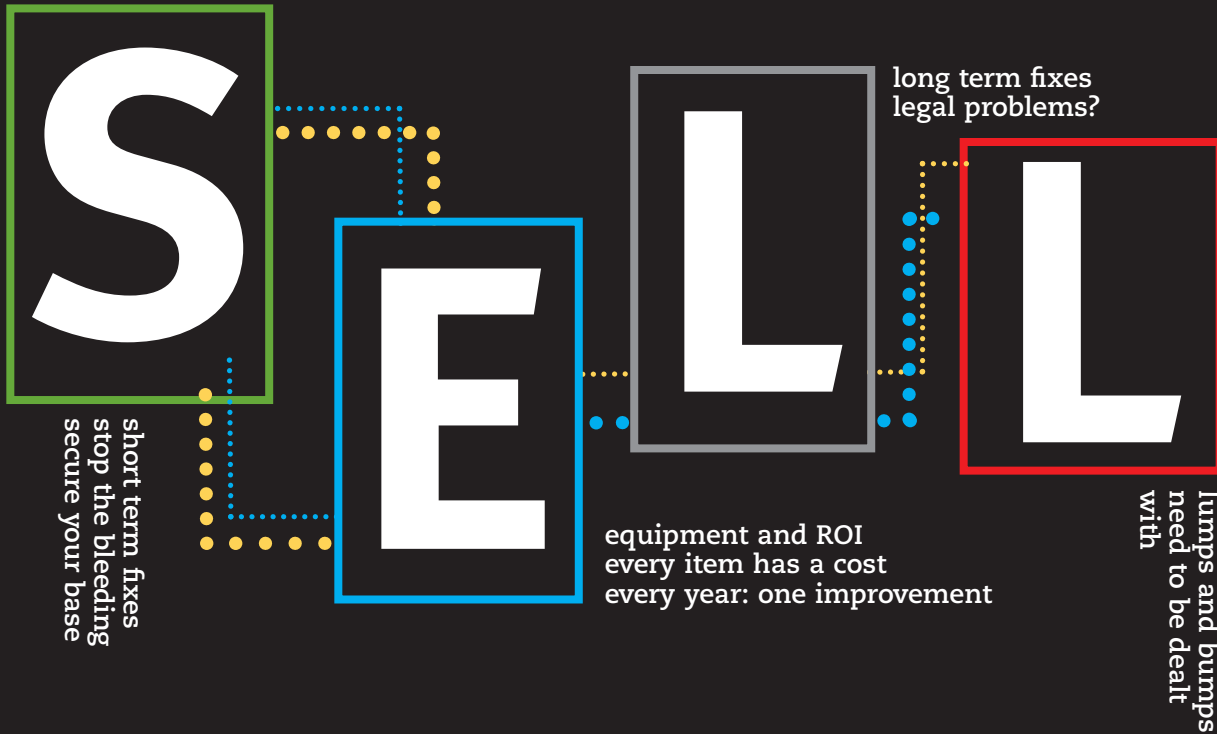




FEATURESTORY

by GORD GRIFFITHS

Getting ready to



Quick fixes and major overhauls to make your shop ready to put on the market

GETTING YOUR COMPANY ready for sale during difficult times is challenging. To do it right, even during good times, you're looking at a three- to five-year process of steady annual improvements to get the business in ship-shape so it's attractive to buyers. When most people hear this timeline, they shake their heads in disbelief, but the process can add about 40% to the value of your company.

Even if you're not selling, you should go through the process anyway, as profit improvement means your shop will fetch a premium if you put it out there on short notice. And it'll make you more profitable if you intend to keep the business.

But sometimes, time is a luxury and you've got to move faster than you like. I've also been asked to help sell a business in three to five days because the

seller decided he couldn't have another bad month. Then what? Well, there are ways of getting better value for your company—not a 40% premium, but steps that will allow you to get out of the business sooner without having to give your shop away.

So here are two approaches to selling your business: The Quick Fixes and The Overhaul.

THE QUICK FIXES

When you have to sell your house quickly, you skip the big renos and apply the lick of paint. Here are some lick-of-paint tips. Work on the presentation and packaging, focus on explaining your business and why someone should buy it. Selling a business without a good package is like selling chocolate without the wrapping—it gets messy real quick.

Cook up a good story

There is no shortage of money—just a shortage of good stories to attract money. If you're not a great storyteller then hire one. They come under the guise of business advisors, consultants and investment bankers and they can put a pretty good package together to help shop your business around.

Clean up the pipes

Financial information is like the pipes and drainage in a house—make sure all the plumbing is clear and odours are banished. That means always have good financial reporting with audited financial statements. These are the same figures management will use to operate the business. You can't manage what you don't measure.

Secure your base

How secure is your customer base? Who owns the customers? Do you have contracts or agreements? How healthy are your customers? Are you a market leader? If you rely on one large customer, start working on changing this.

Weed out the tire kickers

Identify possible buyers and not only learn more about them, but get to know them. Make sure they have the money to buy—there are way too many people with more time than money willing to waste your time. For the good ones, make sure you figure out what they're looking for—most of the time it won't be what you think.

How do you measure up?

Know the industry benchmarks, start measuring yours and compare with the best. Know what can be improved. People evaluate a company on past profit, but emotionally they like to know the upside.

Deal with lumps and bumps

Every business has the occasional one-of expenses or bad year. You want to normalise everything. On the income statement pull out the one-of expenses and show them separately. Take the unusual year and normalise it and put in an explanation for the reader. If you want to get paid the industry rate for your company also make sure there are no unusual items on the balance sheet. Get things cleaned up. If you're selling the business and not the building, separate it.

Get inside your customers' heads

Spend time getting to know your customers—make sure you know more about them than any possible buyer. The same rule applies to your suppliers—I can only assume you're there with your employees. However, I find too many managers only communicate when there is a problem.

Have young bucks around

The new owner will be two good people short—he might not want you after he's filled your pockets with cash, but he'll pay a premium for good management within your company. Start grooming the next generation of managers so you don't have to stay after you sell the business. Also make sure everyone knows their role in the company to the point where it's easy to explain and understand.

Stop the bleeding

Be sure you stabilize the business before you focus on growth. There is no point in disappointing your new-found customers, your employees and your investors by trying to sell a business that's bleeding cash. They either won't buy or, if they do, they'll have legal clauses hiding in the agreements so they can sue you later. What costs can you reduce—i.e. labour, rent? What is your ongoing cost reduction plan?

SOLD

Suck up to suppliers

Many buyers call your suppliers to get the lowdown on your company before they buy. Your suppliers are often your unofficial spokespeople—good or bad. You have to stop beating up on suppliers and squeezing them for every last penny or they will get their revenge when you try to sell. Make them your partner and don't stop promoting your strengths.

Practice from the same songbook

Make sure the package you put together to sell the company tells the same story you and your advisors use, and most important of all, make sure everyone inside your organization will be singing off the same sheet. Buyers run a mile when they hear an inconsistent story.

Put your best face forward

Build a presentation on the company's strengths—is it advanced technology? Culture? Where do you need improvement? For example, environmental concerns can be a sales stopper and will not help your image with the customer.

Boast

Start a P.R. program—if you have a favourite charity people should hear about it, at what stage is your green program? Be sure you are seen as ethical and thereby avoid surprises.

Stay clear of the law

Get your legal problems out of the way now.

THE OVERHAUL PLAN

Do you want to know what devising a grand plan means in a sound bite? Think like a franchisor. Statistics show that a franchise can be sold for a premium, partly because it's easier for the buyer (franchisee) to invest in and operate. Also fewer than 10% of franchises fail compared to non-franchise businesses, which have a failure rate of around 50%. Thinking like a franchisor can help you develop the grand plan.

Just improving these areas would take years to achieve for most commercial printers. So set priorities—don't try to fix everything the first year. List the four to six initiatives for 2009 and get going. You, the owner, need to drive the execution. And remember people only do what you follow up on.

Procedures so easy, a kid can do it

Franchisors know how to write down every job in the business and how to get people to follow the procedures. McDonalds has figured out how to break down its procedures and processes, describe them in simple terms and teach them so that 17-year-old kids can run and operate the multi-billion dollar company. Have you documented your business so that 17-year-old kids could run it with a little training?

Train managers

Managers in a well-run franchise like McDonalds receive 500 hours of management training a year in their first four years. How much training do your managers receive? With well-trained managers you can take more holidays and you might not be in a hurry to sell the business if you don't have to be there that much. Even better, you can eventually sell the business and the buyer won't insist you be around to run the place.

Be memorable

Most franchises spend around 5% to 6% of revenues on marketing and advertising, twice what the average commercial printer spends because they understand the power of being memorable to customers. Commercial printers often don't invest enough in marketing and advertising and make the mistake of cutting back on these in tough times, making things worse not better.

Worship the ROI god

Franchisors get out their calculators and do a return on investment (ROI) calculation before each major expense, while many commercial printers have never heard of ROI. Commercial printers often delay expenditures because they worry more about cost and don't realise the power of this ROI tool. As a result, top franchisors know that it's worth spending more to find the best location, get the best systems, and get the right mix of equipment to do a few things well so they can grow more quickly and achieve a high rate return on their investment.

One improvement at a time

Franchisors work on getting a few things right each year and documenting the process so they don't have to revisit the issue every year. Most companies can't successfully improve in more than five or six areas of the business a year. However most commercial printers have a list of 20 to 30 areas that need improvement and they try to do a bit of everything every year. It's by focusing on improving key areas each year that the business will be ready to sell for a premium in three to five years.


Be easy to buy

Franchisors make it easy for the franchisee to buy in. Commercial printers can make it easier for buyers to finance the purchase of their business. For example if they pay down the debt before selling—the buyer can get financing against the assets of the business to help with the purchase. If the commercial printer owns the building in a separate company, it makes it easier for the buyer who wants to rent space rather than buy the building as well as the business.

Blinkers are good things

Franchisors are very focused on a narrow product offering to the market. McDonalds doesn't try to sell every kind of food. Many commercial printers try to "change their market focus after every phone call" rather than picking a niche and focusing on that and ignoring the rest.

Track the pennies

Franchisors know the cost of every item in such great detail and they know how the cost varies with volume. They can do it because they have divided their business into a few simple steps and they measure these steps very carefully. Few commercial printers have reliable costing systems because they have allowed their businesses to become too complex with too many equipment options and job configurations. They struggle to analyze the profit by job or by customer so they can weed out needy customers or charge more for odd jobs. 

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