

# Maximising the value of your business

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**S**maller fire and security companies have it rough. Burdened with the challenge of fighting it out with the big multinationals, they are constantly beckoned by the siren's call; lower your price to win the business. Succumbing to this temptation is a fatal error in judgment. Low margins combined with low market share intrinsic in small businesses are the basic ingredients for failure.

The primary goal of any business owner should always be to maximise the economic value of the enterprise so that it may be divested successfully when the vendor so chooses.

Why? Because small businesses represent a significant investment in both time and capital. For most entrepreneurs, the day-to-day sacrifices required to ensure survival are never well rewarded in the form of a generous monthly wage and even more rarely as a dividend payout.

Thriving businesses require increased working capital. Struggling ones require even more. Whatever the circumstances, the business owner always has many reasons to defer his well-deserved financial rewards for another week, month, year, or longer.

So, how do entrepreneurs increase their chances of ever enjoying the fruit of their efforts? Only by ensuring that the value of the business will continue to increase for every day he or she chooses to remain committed to growing it and investing in it.

Making a business attractive to potential buyers that can increase its value after the founder is gone is the only way for an entrepreneur to guarantee success.

Who are these potential buyers? Most often, they are your own larger competitors or those companies that provide products or services complementary to your own.

In any case, a belief by the potential purchaser that they can significantly increase the size of the business is critical to maximising its value. A buyer that can increase profitability of your business under their ownership will be prepared to pay more for it than you may believe it is worth.

However, price is also dependent on one other factor; the impact that your business will have on his existing sales and pro-

fitability should it fall into the hands of a competitor.

How do you promote this scenario? By ensuring that your products or services are uniquely suited to your targeted customer base. If they are not, you will only struggle as a "me-too" supplier. In any case, you have the choice of one of two options: improve your product or refine your target market so that it is better suited to appreciate the features of your products.

Improving your product is a costly and



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time-consuming task. Making it cheaper to manufacture or more readily accepted by a wider market is a thankless task. You will never please everybody and they will drive you crazy should you try to do so.

Therefore, it is important to investigate and understand who your potential customers are and how you will stand out from the crowd when attempting to sell to them.

In most cases, it is less risky and expensive to increase your competitiveness by narrowing your target market.

However, in doing so, you must take care not to restrict your geographic coverage. In essence, we are saying that a business targeting a focused end-user with very clear product requirements will always be more lucratively valued than an enterprise trying to be all things to all people.

So, how do you narrow your niche? By talking to your best customers. In identifying those qualities in your products and services that most appeal to them, you can best identify others that will feel the same way. A business with discerning customers will always

be able to command higher margins or win more orders at a comparable price than one less capable of understanding the needs of its clientele.

When you know who you are trying to attract, go out and tell them, but only them. Make your products more visible by communicating to your customers in their trade magazine, not yours. Attend their trade shows; don't wait for them to come to you. Better to be the only fire or security exhibitor at a major specialised industry trade show than just another exhibitor at a fire and security event.

Seek out periodicals that target your customer base on a global basis. This will ensure that your message is spread widely. After all, a niche market is rarely too small to focus on if the geographic base is wide enough. Develop your web site and use it as your primary advertising tool. It is selling your products all over the world, 24 hours a day, seven days a week and without the need for you to incur the ongoing costs of printing and distributing expensive product brochures.

Refine your branding. Remember, one well-known logo or trade name that stands for quality and reliability is worth much more than a hundred obscure names or trademarks that invoke poor awareness or a lack lustre response from your customer base.

Above all, hold on to your good employees, particularly those that regularly come in contact with your customer base. It's impossible to build long-term business relationships if your enterprise does not have an edict of nurturing a similar philosophy from within.

Above all, any entrepreneur must remember that they themselves must be expendable. The ability of a business to survive on a day-to-day basis without you is critical in assessing its value to a third party. A customer base dedicated to you but not your product (or people) is valueless to the multinational that will evaluate its potential.

Quality products promote loyalty in your clientele and minimise the cost of renewing the customer base.

Ultimately, your goal is to ensure that your financial return on the effort expended today in managing your business is maximised when you choose to pass on that responsibility to others. ■