JACK
TALKS BUSINESS

VALUATION BOOSTER BLUEPRINT

A playbook to build and sell your company for maximum value

JACK PETRY

Thanks for taking the time to request my Valuation Booster Blueprint.

Whether you're looking to exit now or keep your business for the next 20+ years, you're looking at a roadmap to scale and maximize your valuation. Positioning your business to be "exit ready" gives you options and the ability to sell for top dollar when the time is right.

Although I'm only able to work one-on-one with a handful of business owners each year, my goal is to provide you with tangible steps to increase what your business is worth and help you prepare for a lucrative exit.

We'll start with profit and growth levers, then transition into specific, actionable strategies to boost your valuation.

As you dig in, remember that progress beats perfection. Even implementing a few of these strategies can be transformative for your business.

You'll notice I have links embedded throughout the document – these are articles on my website that provide a deep dive into certain topics. I'm continually creating new materials which I share with folks on my email list.

Before we get into the good stuff, I have a couple small requests:

1. If you have a success story after implementing these strategies, I'd love to hear from you (jack@jacktalksbusiness.com). I read every email.
2. I'd greatly appreciate it if you can help me spread the word. Share this with a business owner who could benefit.

Good luck – I'm rooting for you.

To Your Success,

Section 1

Revenue and Profit Growth

I recommend you start here, as one of the most effective ways to increase your company's value is through growth.

Simply put: the higher your sales and profit numbers, the higher your valuation will be.

Increasing your top and bottom line will not only make your business more attractive, it will also give you more negotiating power and leverage when it comes time to actually sell the business.

It's best to be able to illustrate a strong history of rising sales and profit (SDE or EBITDA) in the years leading up to your sale.

If you can show that your business is consistently profitable and on a growth trajectory, you'll be in a position of strength when you exit.

The strategies in this section focus on how to get you there.

Find Expense Savings Opportunities

Reducing expenses is one of best ways to quickly boost profits for a business of any size.

Within the articles below, I've included **61 expense savings strategies** you can use.

While these strategies might seem insignificant on the surface, the cumulative effect of small cost reductions can have a massive effect on profitability.

To make this real – for a business operating at a 20% margin, *each point in expenses saved translates to 5% in incremental profit margin.*

In this scenario, if you're able to cut expenses by just 3%, it results in a 15% increase to your profits. Great bang for your buck.

Supplemental Resources:

- 19 Ways to Reduce Labor Costs
- 14 Ways to Reduce Supply Chain Costs
- 13 Ways to Reduce Credit Card Processing Fees
- Small Business Tax Planning Strategies: 15 Ways to Save on Taxes

Quick Wins: Revenue and Profit Maximizers

In the links below, I've included a variety of techniques you can use to boost your revenue and profit.

I'm confident that executing even just a handful of these strategies can make a sizable impact for you.

I've also included a 70 question assessment to help you identify low-hanging fruit in your business. This is the exact framework I use with new consulting clients to identify quick wins, multiply results from existing advertising campaigns, and find hidden profits in their business.

Supplemental Resources:

- Profit Maximizers: 25 Proven Tips for Profit Improvement
- 11 Quick Ways to Maximize Revenue
- Answer These 70 Questions for a Business Makeover

Raise Prices

When was the last time you increased prices? Have you done any price testing recently?

If you haven't raised prices in years, this is the #1 lever I recommend you start with. A minor tweak in pricing can be huge, as each increase in price feeds 100% into profit.

If you're hesitant to raise prices across the board, here's a simple exercise you can go through:

1. *List your largest 20 customers (or customer segments)*
2. *For each, ask yourself: if I raised prices 5%, 8%, 12%, or 15%, would I lose the customer?*
3. *Raise prices for the customers you believe can take it (you can test a small segment to limit risk)*

The goal should be to charge each customer the most that their willing to pay. I encourage you to go in with an open mind and trust what the data tells you.

To illustrate the power of a price increase, let's say you're currently doing $2M in sales with a 20% margin ($400K profit). If you increase prices by just 10%, this results in a colossal 50% increase to your bottom line (new profit of $600K).

If you're still hesitant about raising prices, think about how you can compete on value, not price. How can you increase the perceived value of what you offer?

For more, I recommend reading "$100M Offers" by Alex Hormozi.

Supplemental Resources:

- Price Positioning Strategies: 21 Ways to Use Psychological Pricing to Boost Sales
- Premium Branding 101: 3 Quick and Easy Ways to Supercharge Profits

Sharpen Your Unique Selling Proposition

A strong unique selling proposition (USP) is hyper-important to help you stand out in a crowded marketplace. With so many businesses competing for attention, differentiation is critical to attract and retain customers.

You need to be able to effectively answer the following question: *"Why should I go with you rather than somebody else?"*

Can you offer a solution that:

- *Delivers better results than anything else available?*
- *Works faster and easier than anything else on the market?*
- *Eliminates friction, difficulty, or hassle for the customer?*
- *Has significantly less risk for the customer?*
- *Has a stronger guarantee than any of your competitors?*

When you have a great USP, your marketing almost writes itself and everything else becomes easier.

In the resources below, I've included a five step framework to help you get ultra-specific on your USP and competitive advantage.

Supplemental Resources:

- Want to Stand Out from Competitors? Try These 5 Proven Steps
- Build a Moat: 7 Types of Competitive Advantage to Create in Business

Customer Retention Strategies to Reduce Churn

Finding ways to lower churn is often overlooked and underappreciated, as many companies are overly focused on customer acquisition. Churn is a silent killer and crippling for any business – a high churn rate can quickly eat into profits and stifle growth.

The below article walks through 19 strategies to reduce churn and increase retention. This can go a long way, just a 5% increase in customer retention can boost profits from 25 - 95% (according to Hubspot).

Supplemental Resource:

- High Churn Rate? 19 Simple Ways to Improve Churn Management

Create a World-Class Onboarding Journey

Once you land a new client or customer, what do you do next? How do you keep them around for the long haul?

This is often an area of opportunity, and I recommend taking your time with this process. How you engage with customers post-sale sets the tone for the rest of the relationship.

An excellent customer onboarding sequence leads to:

- *Increased retention and stickiness*
- *Major increases to customer lifetime value*
- *Increased customer loyalty*
- *The ability to differentiate and stand out in the marketplace*
- *Greater likelihood of referrals and word of mouth (leading to lower customer acquisition cost)*

Supplemental Resources:

- Onboarding Journey: 9 Simple Steps to Attract Lifelong Customers
- Client Welcome Packet: 15 Things to Include to Create Loyal Customers

Relentless Focus on Customer Experience (CX)

Do you have a systematic way to turn customers into raving fans? The stronger your customer experience, the greater the ability you have to grow and charge premium prices.

The below resources walk through the specifics of how to measure and continuously improve CX. A few stats on why this is worth investing time in:

- *A 1% difference in churn can have a 12% impact on company valuation.*
- *Companies with superior customer experience bring in 5.7 times more revenue than competitors that lag in customer experience.*
- *Companies that lead in customer experience outperform laggards by nearly 80%.*

Supplemental Resources:

- Customer Loyalty Ladder: 10 Ways to Wow Customers and Create Raving Fans
- Customer Loyalty Analytics: A Surprisingly Simple Way to Grow Your Business
- Customer Success KPIs: Do You Track These 19 Ways to Measure CX?

Implement a Client Reactivation Campaign

If you're frustrated with losing customers, winning back a lost customer is surprisingly easy to fix.

With an inactive customer, you've already made the pricey acquisition investment, and it's going to be dramatically easier (and cheaper) to get them back compared to finding a completely new customer.

In the resources you'll find a detailed strategy on how to roll out a client reactivation campaign. I've also included email templates that you can use word-for-word (with 25 subject line examples).

Supplemental Resources:

- Reactivation Campaigns: How to Win Back Dormant Customers
- Reactivation Emails: 3 Step Customer Reactivation Campaign

Product Profitability Analysis

Do you know how each of your products impacts overall profitability?

You'll likely see a disproportionate relationship if you dig into the numbers – it's possible that 95% of your profit comes from just 5% of your products.

Said differently: your top couple products likely create more profit than all your others combined. In many scenarios, it makes sense to focus on only a small portion of your product portfolio.

This was one of the strategies Steve Jobs used to save Apple from bankruptcy back in the 1990s – he reduced Apple's product offerings from 350 to 10.

The article below includes a three step process to run through a profitability analysis for your own business.

Supplemental Resource:

- Product Profitability Analysis: 3 Steps to Double Your Profits

Customer Profitability Analysis

Do you know who your most valuable customers are?

A customer profitability analysis allows you to quickly identify the customers who contribute the most to your bottom line, and those who may not be worth the investment of your time, money, and resources.

It gets really exciting when you figure out who those top customers are, and **exclusively focus on attracting more customers with that exact profile**. Armed with this info, you can become intentional about exactly who you choose to serve and more importantly, who you choose not to.

What if 100% of your customers were in that top segment? You can pick better customers, have fewer headaches, and massively grow your business.

I've included a four step process around how to do this below.

Supplemental Resource:

- Customer Profitability Analysis: 4 Steps to More Profitable Customers

RFM Customer Segmentation Analysis

As we've just covered, customers are not created equal and their level of value to you will vary significantly.

An RFM analysis (Recency, Frequency, Monetary) can be one of the most profitable activities you ever do in your business and is a great way to increase customer lifetime value.

RFM is a customer segmentation technique that looks at three factors based on purchase behavior and can help you answer a ton of valuable questions:

- *Who are my best, most loyal customers?*
- *Which customers am I at risk of losing?*
- *Which customers have the potential of becoming more profitable?*
- *Who are lost customers that I don't need to give as much attention to?*
- *Which customers do I really need to retain?*
- *How should I allocate my marketing resources?*
- *Which group of customers is most likely to respond a specific marketing campaign?*
- *Where should I spend my time and energy to maximize results?*

Supplemental Resource:

- RFM Customer Segments: How to Boost Profitability with Your Top Customers

Analyze ROI of Sales Channels

Take a look at your current sales channels and analyze which are most successful.

- *How many sales are coming from each sales channel?*
- *Review return on ad spend for each channel – which have the strongest and weakest returns?*
- *Are you targeting the right type of prospects?*

The goal is to identify the critical few things that are having an outsized impact on results. This will shed light into what you should double down on, and what you might want to stop doing. It often makes sense to reduce spending on unprofitable channels and re-allocate these dollars to your highest performing channel(s).

It's also worth thinking about potential opportunities to expand into new sales channels:

- *Search engine optimization (SEO)*
- *Pay-per-click advertising (PPC)*
- *Podcasts*
- *Direct mail*

- *Email marketing*
- *Influencer marketing*
- *Social media marketing (e.g. Facebook, Twitter, Instagram)*

Supplemental Resource:

- Local SEO for Small Business: 12 Easy Ways to Reach #1 on Google

Growth through Acquisition – Complementary Companies

If done thoughtfully, there's no faster way to grow than by acquiring adjacent businesses that support your core business.

The below resources contain detail on the "how to," but I'd recommend starting with the below questions:

1. *Which area of your business is weakest and needs improvement?*
2. *What is the missing piece for your next stage of growth?*

Want to Increase Market Share? Acquire a Competitor

Want to Increase Your Number of Leads? Acquire Media

Want to Strengthen Your Team or Infrastructure? Acquire Talent

Want to Improve Average Order Value (AOV) and Lifetime Customer Value (LCV)? Acquire a Product or Service Vendor

Want to Boost Innovation or Capabilities? Acquire Intellectual Property (IP) or Technology

Want to Increase Margins? Acquire a Supplier or Distributor

Supplemental Resources:

- M&A Acquisition Criteria: 15 Ways to Uncover a Perfect Target Acquisition
- Bolt On Acquisitions: 6 Methods of External Growth
- Rapid Inorganic Growth: Here are 10 Types of M&A Strategies
- How to Buy a Business With No Money Down (17 Proven Ways)
- Red Flags When Buying a Business: 16 Deadly Sins of Business Acquisition
- Small Business Buyers: Don't Make These 17 Mistakes When Buying a Biz

Growth through Acquisition – Acquire Media Assets

Continuing on the theme of M&A, one underrated and often overlooked strategy is to acquire media assets to get the attention of your ideal clients.

Have you ever considered acquiring Facebook groups, blogs, or YouTube accounts within your industry? Many media channels have large audiences but no ability or infrastructure to monetize, so they can be had for pennies on the dollar.

The article below provides the step-by-step process. Here are a few advantages:

- *You no longer need to rely on others to bring you potential prospects (avoiding restrictions and expensive advertising costs).*
- *You have complete control over the traffic and messaging. If you rent, you're at the mercy of the site or platform you're paying to use, and if they decide to change its algorithms, your traffic can drop precipitously overnight.*
- *Instead of building an audience from scratch, you can tap into the efforts of others who have spent years aggregating a large group of your perfect prospects.*

Supplemental Resource:

- M&A Targets: 5 Ways to Acquire Attention of Your Ideal Clients (Media Assets)

Improve Advertising Materials

Making improvements to your existing advertising materials can be a game-changer. Here's a 5 step process you can run through to upgrade your ad copy:

1. ***Speak to your ideal customer profile:*** who specifically are you talking to and what desperate problem are you solving for them?
2. ***What makes you different***: why should they choose you over every other option in the market?
3. ***Proof***: how can you prove that your solution will work for them? Can you include more social proof – customer reviews, case studies, and testimonials?
4. ***Enticing offer:*** how can you make it a complete no-brainer for them to purchase?
5. ***Build in urgency***: provide a deadline and reason to act now – why should they act today?

Some additional tips:

- ***Focus on the benefits***: instead of focusing on the features of your products or services, highlight the benefits that your target audience can get from using them. How will it make your customer's life easier or better? What problems will it solve for them?
- ***Use a clear and compelling call-to-action***: a call-to-action (CTA) is a statement that encourages your audience to take a specific action, such as making a purchase or booking an appointment. Make your CTA clear and compelling, so your audience knows what action to take and why they should take it.
- ***Test and optimize***: continually test your advertising copy and analyze the results to see what works best. Even just a simple headline change can increase the effectiveness of your ad by 20x.
- ***Competitive intelligence***: it's worth keeping tabs on your competitors advertising activities to see what's working. Go through their ads, sales funnels, and nurture sequence and think about how you can incorporate something similar into your ad strategy. Some recommendations:

    - Similarweb.com
        - Detailed desktop/mobile traffic and demographics
    - Adbeat.com
        - Full ad history, landing pages, and campaign information
    - iSpionage.com
        - Tracking of entire customer journey
    - WhosMailingWhat.com
        - Direct mail campaign performance tracking
    - Crayon.co
        - Comprehensive intelligence tool

Supplemental Resources:

- How to Get 5 Star Google Reviews: 16 Ways to Boost Client Reviews
- What does CTR Stand For and Why Is It Critical? 5 Ways to Boost Internal Growth

Recreate Your Best Profit Month

With so much going on, we can often forget to repeat what works. Take a look at your profit by month over the trailing 12 months – what was your most successful month of sales?

Dissect exactly what you did that month:

- *Did you run certain promotions?*
- *Spend more on marketing?*
- *Make more offers than usual?*

How can you replicate your best month **every single month** going forward?

I've found this exercise to be both eye-opening and lucrative. Figure out what works, then rinse and repeat.

Extend Your Value Ladder

A value ladder includes every product or service you offer to customers (at varying price points). The idea behind a value ladder is to provide a pathway for customers to move from lower-priced, entry-level offerings to higher-priced, more advanced offerings over time.

Ideally, this mix should include a range of low, middle, and high end offerings that will attract different types of customers.

Here are the two biggest opportunities I see:

- *If you only have a high ticket offer right now (e.g. $25K service), add in a downsell to a cheaper version. Think about how you can make a more inexpensive option for all those that can't afford your top offer.*
- *If you're not offering a high ticket item at the top of your value ladder, I can almost guarantee you're leaving significant money on the table.*

You'll see detailed articles below on how to optimize your value ladder. If you'd like to create a high ticket offer, here are a handful of things to think about:

- *How can you dramatically improve your customer's experience?*
- *How can you greatly simplify the customer's life?*
- *What pain points can you take away from the customer?*

- *How can you offer the best solution in the marketplace?*
- *What would you have to do to add 10 times the value of your current offer?*
- *Can you add tiers to your products or services? Can you create a premium option?*

Supplemental Resources:

- How to Use Value Ladders to Win in Business
- Creating a High Ticket Offer: Premium Offers Made Easy (24 Tips)

Create New Referral Programs

How often do you encourage and incentivize existing customers to refer new customers?

Customer referrals are one of the best sources of new business and have been shown to generate 3-5x higher conversion rates than any other channel.

Some things I'd ask you to think about:

- *Analyze your current referral systems – do you have any in place already?*
- *Do you consistently ask customers for referrals within their customer journey?*
- *Do you have a way to track referrals?*
- *Where else could new referral sources come from?*

I've included 10 referral strategies below to kickstart the brainstorming process for you.

Supplemental Resource:

- Types of Referral Systems: Everything You Need to Know (+10 Strategies)

Operational Improvements

The below links contain a variety of posts related to improving business operations. This category might not seem exciting on the surface, but can help in a variety of ways:

- ***Increased efficiency:*** by improving your operational processes, you can reduce waste, minimize errors, and increase productivity. This can lead to faster turnaround times and increased output, allowing you to handle more customers and orders.

- ***Better quality:*** improving your operational processes can help you produce higher quality products or services. This can lead to increased customer satisfaction, repeat business, and positive word-of-mouth referrals.
- ***Reduced costs***: helps you identify and eliminate unnecessary expenses.
- ***Improved scalability:*** allows you to handle more business without having to significantly increase your workforce or other resources.

Supplemental Resources:

- Tight Cash Flow? 19 Ways to Improve Cash Flow In Your Business
- Operational Effectiveness: 9 Ways to Improve How Your Business Executes
- 38 Actionable Ways to Improve Operational Efficiency in Your Business
- How to Implement a Management Operating System
- Scaling Business Operations: 6 Proven Ways to Scale

Strategic Alliances with Complementary Businesses

Partnering with complementary businesses can be a great way to tap into someone else's network of customers to boost sales and expand your own customer base.

Strategic alliances allow you to do all sorts of different things:

- *Quickly access new products or services*
- *Quickly access new markets*
- *Acquire new leads and customers at a very low cost*

Some steps to think about:

1. *Get clear on which customer base you want access to*
2. *Who already has the customers you want? Said differently: which companies already serve your ideal customers?*
3. *How can you improve the experience they provide and create a win-win scenario?*
4. *Reach out to the other business owner with an offer that benefits you both (remove all the risk, show it provides only financial upside for them, and make it as effortless as possible).*

Improve Lead Nurturing

To convert more prospects into customers, take a look at your lead nurturing sequence.

Studies show that about three out of four leads in a funnel are not ready to buy at a given point in time. According to Forrester Research, lead nurturing can lead to 50% more sales at a 33% lower cost per lead.

Fortunately marketing automation makes this process low-cost and easy to implement.

Here are some strategies to think about for effective lead nurturing:

1. ***Segment your leads***: not all leads are created equal. You can divide your leads into groups based on their interests, behaviors, and where they are in the buyer's journey. This allows you to tailor your messaging and approach to each group.
2. ***Provide valuable content*****:** share educational and informative content with your leads that's relevant to their interests and needs. This can include emails, blog posts, whitepapers, webinars, and videos. By providing value, you establish your brand as a trusted authority in your industry.
3. ***Timing is key*****:** be strategic about when you reach out to your leads. You want to engage with them when they are most likely to be receptive, such as after they have interacted with your content or visited your website.
4. ***Use lead scoring***: assign scores to your leads based on their behavior and engagement with your brand. This helps you prioritize which leads to focus on and which may need further nurturing.

Section 2

Improving Your Valuation

This section focuses on levers you can influence to boost your valuation. I want you to remember that a successful business sale doesn't just happen, it needs to be created.

By preparing for a sale well in advance, you can identify and address any weaknesses, plan for succession, and exit from a position of strength.

Creating a sellable business will give you flexibility for any variety of scenarios: continuing to run the business, taking some chips off the table, or going through a full exit event at a premium price.

Note that many of these strategies will take some time to implement. For the best results, I recommend you start this process **at least two years** before you'd like to sell.

Find Potential Buyers

Even if you have no immediate intention of selling, it's never too early to start identifying potential buyers.

Most business owners and entrepreneurs never take the time to do this, which is one contributing reason why 80 – 90% of businesses never sell.

I want you to put together a list of at least three to five potential buyers and think through the reasons **why they should acquire you**.

This is a volume game: to get the best price, you'll want to cast out a wide net of potential buyers. More options gives you leverage and a higher likelihood of getting the price and terms you want.

A few things to think about:

- *How do you want to position your business to these potential buyers?*
- *How will this positioning drive your strategy going forward?*
- *Can you come up with a tailored story for each potential buyer around the strategic fit and future upside potential?*

Supplemental Resource:

- Business Exit Strategy: How to Find the Perfect Buyer for Your Small Business

Ensure Your Company Brand is Not Tied to Any Individual

Move your branding away from any individual's name to reduce risk of valuation damage.

When a business is closely associated with the name of its founder or other individuals, the value of the business may be perceived as being closely tied to those individuals, which can make it harder to sell or transfer ownership.

By moving the branding away from any individual's name and focusing on the overall value and reputation of the business, you can make it more appealing to potential acquirers.

Owner Not Critical in Daily Operations

When your business can run entirely without you, you have a valuable asset.

One of the biggest mistakes business owners make is design a business that relies too heavily on them.

If you're the rainmaker who makes your business successful, this is a red flag. Once you leave, potential buyers will have major hesitations about future business performance.

Here's a test: you should be able to leave for six months (with no communication) and have the business run as usual. Nothing can be dependent on you or else you'll take a major hit on your potential sales price.

This does not happen overnight, but if you are heavily involved today, start delegating responsibilities as soon as possible. You can start with small tasks and gradually expand from there.

Transition to Professional Management

As a follow-up to our last strategy, I recommend swapping out the current manager or owner for a professional manager.

Hiring professional management can help take some of the responsibility off of your shoulders and put it onto someone who is trained to handle it. This also gives the company a more professional appearance, which is very attractive to investors.

Just by making this one change you'll see a significant increase in the multiple you'll be able to sell for, since professionally managed businesses sell for significantly higher multiples than owner operated businesses.

Through transitioning to professional management you can instantly create multiple arbitrage and have more buyers that are willing to pay a higher price.

Develop a World Class Management Team

You want to build your core lead team to be leaders, not doers.

Instead of just looking for team members who can perform tasks and follow directions, can you recruit a management team that will lead, take accountability, and take initiative to solve problems?

Try and get experienced managers who have already "walked the walk" and grown similar businesses to the size you'd like to achieve. With top talent, you can set the vision and let them work through how to get there.

Be relentless in hiring and then give them autonomy once they're onboard.

Here are five key roles you should aim to get the absolute best talent you can:

- **CEO**: responsible for gross sales (top line revenue)
- **Marketing**: responsible for bringing in quality leads through various acquisition channels
- **Sales**: responsible for converting business
- **Customer Satisfaction**: responsible for creating raving fans and increasing lifetime customer value. Most business owners are hyper-focused on bringing in customers, but the ultra-successful place a priority on existing customers, where the big money is.
- **Finance**: responsible for net profit and challenging the team to keep the P&L front and center

Supplemental Resource:

- Interested in Building High Performing Teams? Don't Miss These 19 Things

Retention and Succession Planning: Key Personnel

A succession plan ensures that there is a continuous pipeline of experienced talent available to take over after you leave the company.

Buyers will want to see your current management team (and key employees) secured to continue to grow the business. Do all you can to prevent your skilled employees from leaving in the two years prior to your exit. **Getting your high performers committed to staying onboard will go a long way.**

Think about paying your top people above market and offering them a long-term incentive plan that rewards their performance and loyalty. If they're not easy to replace, it's likely this investment will be well worth it.

If you're not comfortable giving stock, think about offering a "stay bonus" that provides members of your management team with a cash reward if you sell.

Supplemental Resources:

- Employee Attraction and Retention: 23 Ways to Keep Your Team Engaged
- Interested in Building High Performing Teams? Don't Miss These 19 Things
- Phantom Equity 101: How You Can Incentivize Top Talent

Cross Train Your Team

I recommend spending time training employees on multiple jobs. Cross training has a handful of significant advantages:

- ***Reduce dependence on key employees***: if a business relies heavily on a few key employees with specialized skills or knowledge, this key person dependency risk can negatively impact your valuation.
- ***Increase flexibility***: if an employee is absent or leaves the company, another employee can step in to cover their responsibilities, reducing any risk of disruption.
- ***Improve efficiency:*** when employees have a broader understanding of the business, there are often efficiency and productivity gains.
- ***Showcase business value***: having cross-trained employees in place can demonstrate to potential buyers that the business has a strong, cohesive team with diverse skills and knowledge. This can increase the perceived value of the business and make it a more attractive acquisition target.

Supplemental Resource:

- Small Business Systems: How to Create Systems for Your Business

Reliable and Consistent KPIs

If you haven't already, establish clear and measurable key performance indicators (KPIs) to track business performance. Think about core metrics and tracking you can create for the following:

- *How do you drive traffic?*
- *How do you attract leads and build your prospect list?*
- *What is your conversion mechanism to drive sales?*
- *How do you ensure customers are happy?*

- *What is your systematic referral engine?*
- *How do you sell customers after the initial sale?*

You should be able to show consistent, detailed metrics for each category (including who's accountable), which will indicate that your success is predictable and likely to continue after the sale.

These stats should cover the handful of key levers that signal if the business is growing or stagnating. Think about how you can translate these KPIs into a weekly scorecard that can be easily read in just 60 seconds.

For bonus points, I suggest benchmarking your performance in these metrics against industry averages. In an ideal world, it's great to show you can outperform your peers in the industry.

Show Scalability Potential

Can you prove your ability to manage rapid growth without sacrificing customer satisfaction and quality?

One quick way to gauge this: what would happen if you had an influx of 1,000 new customers tomorrow?

Would this cripple your operation, or would you be able to pull it off? Think about potential changes needed for your operational infrastructure to be able to handle it.

Supplemental Resource:

- Scaling Business Operations: 6 Proven Ways to Scale

Implement a Management Operating System (MOS)

A well-managed business is more attractive to potential buyers, who are often willing to pay a premium for a business that is well-organized and operates efficiently.

Some advantages of an MOS:

- ***Streamline operations:*** can help streamline your business operations and create efficiencies, making your business more attractive to potential buyers. It can also help reduce costs, which can increase the overall value of your business.

- ***Provide visibility***: can provide visibility into how your business operates, including how it generates revenue and what its expenses are. This transparency can help potential buyers understand your business and make informed decisions about whether or not to acquire it.
- ***Create a scalable framework:*** can help you create a scalable framework that can be replicated and expanded as your business grows. This can be attractive to buyers who are looking to invest in a business that has the potential to grow and scale.

Supplemental Resources:

- How to Implement a Management Operating System
- Operational Effectiveness: 9 Ways to Improve How Your Business Executes

Obsess over Financial Statement Accuracy

If you overemphasize any area before exiting, make it accounting. While it's not very exciting, this is the one area where you want to be absolutely perfect.

Your financial statements are the foundation that your business valuation is built on, so it's important to get them right. This means having a complete and accurate picture of your revenue, expenses, assets, and liabilities.

Make sure your financial statements are up to date – buyers will typically be very interested in the last 12 to 36 months of financial data.

Strong Financial Budgeting Process

A strong budgeting process (tracking actual results vs. projected) is another factor that can give you a lift when you sell.

Ideally you want to reduce the variability of financial performance over multiple years. The lower the fluctuations between what you project and the actual results (fewer surprises), the more confidence buyers will have in the business's ability to perform well in the future.

This increases your believability and provides more reason for buyers to trust forward looking projections, which can increase your valuation.

Get Your Company's Financials Audited

To expand on the theme from the last two categories, it's worth thinking about getting your financials audited prior to selling.

Getting your financial statements (balance sheet, income statement, and cashflow statement) audited by an independent third-party auditor can provide credibility and peace of mind to potential buyers.

If you can't afford a full audit, I'd recommend at least getting your financials reviewed from a reputable accounting firm.

Prioritize Profit

Your valuation will be heavily influenced by profit, so in the handful of years leading up to your exit, this is an area you want to be hyper-focused on.

In short, you want your profit figures to be as high as possible in the years prior to your sale.

Some suggestions:

- *Cut any expenses that are not essential*
- *Only invest in things that will directly impact profitability (try to reduce expenses and not spend money on things that won't increase profits)*
- *Don't suppress profits to save on taxes (prioritize profit over maxing deductions)*
- *Don't pay debt any faster than you need to and instead invest in things that will increase profits (i.e. ad spend)*

Increase Customer Lifetime Value (CLV)

Do all you can to maximize customer lifetime value (CLV) leading up to a sale.

CLV is the total amount of revenue that a customer will generate for your business over the course of their relationship with you.

To increase CLV, you want to focus on two things: selling additional products and services to your existing customer base and increasing the average transaction size.

We covered strategies on how to do this in Section 1, but there are some additional ideas in the article below.

Supplemental Resource:

- Maximize Customer Lifetime Value: How to Increase Revenue from Existing Customers

Well Defined Sales Process: Repeatable Acquisition

One of the most important things you can do to increase your company's value is to develop a process for acquiring customers that is reliable and predictable.

In a lot of situations, businesses don't have a solid acquisition process for getting new customers. They don't exactly know how to get customers, it just kind of happens. If you don't have a repeatable or reliable way of acquiring customers, you will be penalized severely on price (if buyers are interested at all).

This should be a finely tuned process:

- *How many leads/prospects does it take in your pipeline to turn into one sale?*
- *For each dollar spent on advertising, it results in X new customers and $Y ROI*
- *What's the relationship between your cost to acquire a customer (CAC) and the customer lifetime value (CLV)? Knowing your CLV to CAC ratio can help guide decisions to grow cost-effectively.*

When you have a system in place that consistently generates new business, it becomes much easier to scale and inspire confidence in buyers.

Supplemental Resource:

- Customer Acquisition Metrics: Do You Track These 12 Top Measures?

Eliminate Single Channel Dependence

If you currently only rely on one marketing channel to acquire customers, this is a potential deal killer.

The most dangerous number in any business is one. If this single marketing channel stops working, it could torpedo your business.

As an example, if 95% of your revenue is generated from Google Ads, this is something you want to address immediately. A slight change in their ranking algorithm could have a disastrous effect on your business overnight.

Try to eliminate any dependencies your business has on third parties and look to expand to other marketing channels (i.e. outbound sales calls, direct mail). Ideally, you want to prove you have multiple acquisition channels consistently bringing in customers.

Find Ways to Create Recurring Revenue

Recurring revenue is the holy grail of business valuation. A recurring revenue model is one in which customers make regular, ongoing payments for access to your product or service, and can increase your valuation multiple by 8X.

If you can develop a stream of recurring revenue, you'll be able to command a much higher price for your business.

The question to ask yourself: what in your business can you charge for in a recurring way?

A few ideas:

- *Sell subscriptions to your product or service*
- *Offer maintenance or support contracts*
- *Add product / service certifications or licenses*
- *Offer extended warranties or maintenance plans*
- *Add associations, buyers clubs, or membership programs*
- *Provide financing, payment plans, and leasing options*

Supplemental Resource:

- Recurring Revenue Businesses: 11 Easy Ways to Create MRR + ARR

Documentation, Systems, and Standard Operating Procedures

As a business owner, you want to make sure your company is running as efficiently and effectively as possible. This means having detailed documentation of all processes and procedures so that anyone can pick up where you left off.

Aim to have your team capture every task they do consistently (exactly what to do at every step).

You want to have extreme detail into how every workflow happens to remove any sort of key person dependency risk.

Supplemental Resource:

- Small Business Systems: How to Create Systems for Your Business

Institute a Quarterly Documentation Day

Documentation is so crucial that I'm going to create another category for it.

I recommend having your entire team spend one day per quarter documenting everything they do repetitively (especially tasks that started recently).

Create a process flow, down to very simple steps. If they handed it off someone else, make sure that person could perform the task without any confusion.

Pay the most attention to documentation for the following areas:

- *Legal*
- *Employees (including well-defined roles and job descriptions, org chart, HR procedures, employee reviews and development)*
- *Corporate records*
- *Written agreements with vendors, partners, suppliers, etc.*
- *Customer contracts*
- *Sales*
- *Marketing*

While this might sound incredibly mundane, ensure your entire team is used to documenting everything they do. If you don't, this can result in major headaches when you go to sell.

Look for Automation Opportunities

Potential buyers will be interested in your ability to expand operations without continually raising labor expenses.

Try and find ways to introduce technology to improve productivity and minimize employee labor requirements. There are likely quite a few opportunities to use AI and machine learning with everyday tasks and improve worker productivity.

As an added bonus, digitizing your business model can often lead to a more attractive multiple.

Specialize and Productize

If you want to stand out, you can't be all things to all people. If you instead focus on doing one thing incredibly well, you'll be able to differentiate yourself from your competitors, position yourself as an authority, and command higher prices.

As John Warrillow says in *Built to Sell*, aim to make what you do "teachable, valuable, and repeatable".

By specializing, you can become the go-to company in your field, which makes it much easier to sell.

Think about how you can convert customized and unique services into reproducible and scalable product offerings. The more you can productize and automate things that once were bespoke, the more sellable your business becomes.

Develop a Compelling Growth Story

It's critical to have a strong growth story around what the future upside opportunities are after the sale. Put together a multi-year scaling plan that paints a picture for what's possible.

- *What headroom is available?*
- *What is the untapped total addressable market?*
- *How could the business get there?*
- *What sales channels or growth strategies haven't been pursued yet?*

The acquirer isn't buying your business for what it is today, they are buying it for what it could be in the future. You want to be able to articulate strategies around how you could potentially 10X the business.

Remember that crafting a story that appeals to emotion is far more powerful than just numbers on a page. The more believable your story is, the more valuable your business will become.

Supplemental Resource:

- Scaling Business Operations: 6 Proven Ways to Scale

Reposition Your Industry Multiple

The industry you're in has a major influence on the multiple you'll earn on your sale – think about repositioning your company to qualify for the highest multiple industry it could be in.

The goal here is to move into an industry category with a higher exit multiple without significantly changing your core business.

A few steps to do this:

1. Research high-multiple markets similar to your own that command higher multiples. For example, the software industry typically commands higher multiples than traditional manufacturing.
2. Evaluate your existing business capabilities to determine if you can pivot in those higher-multiple industries. If you own a manufacturing firm, are there ways to build in a software component?
3. Is it possible to reposition your business by making slight tweaks to what you do today? If not, can you spin off and sell a certain business unit with the highest multiple?

This typically doesn't happen overnight, so ideally, you'd start this process a few years prior to your target exit date.

Supplemental Resource:

- NYU Stern – Enterprise Value Multiples by Sector

Reduce Customer Concentration Issues

The more diversified your customer base is, the less risk there is for a buyer. A couple keys here:

1. In advance of an exit, **it's worth putting tremendous focus on retaining your top customers**.

   If a single large client makes up a significant portion of your revenue, if they were to leave it would have a catastrophic impact on the business.

   If a buyer thinks any key customers at risk of leaving, it can lead to a reduction in your sales price.

2. As a rule of thumb: **ensure no one client makes up more than 15% of your revenue.**

   You want to show that you have lots of happy customers, and that no single customer is too important.

   By diversifying your customer base, you also make your business less susceptible to economic downturns and other risks. In the event that you do have customers that make up a sizable amount of your revenue, think about what actions you can take to avoid losing them.

Supplemental Resources:

- Customer Concentration Risk: 9 Ways to Protect Your Business
- Customer Profitability Analysis: 4 Steps to More Profitable Customers

Supplier Diversification

By now, you're probably noticing a theme: don't put all your eggs in one basket.

Having multiple suppliers for each key input is important to mitigating supplier risk.

You don't want to be in a position where a single supplier can hold you hostage or force you to accept unfavorable terms.

By having multiple suppliers, you can pit them against each other to get the best terms and quality.

Supplemental Resource:

- 14 Ways to Reduce Supply Chain Costs

Identify Where You Are Vulnerable: Reduce Risks

When it comes to getting the full exit multiple you deserve, any risks present within your business can penalize you.

Figure out where you may be vulnerable to risks and take steps to reduce or fully eliminate them.

Going through internal due diligence has a few advantages:

- ***Identify potential issues:*** you can address and fix problems before they penalize your sales price
- ***Maximize the speed of the sale***: the more diligence you do in advance and provide to buyers, the quicker you'll be able to close
- ***Increase credibility:*** sharing potential issues proactively goes a long way to give potential buyers confidence that there are no hidden red flags

Risks to keep an eye out for:

- ***Business complexity and poor systems:*** the potential for your business to be negatively impacted by inefficient or poorly designed systems and processes.
- ***Customer concentration***: having a high dependence on a small number of customers for your business's revenue. This can make your business vulnerable if one or more of these customers stop doing business with you.
- ***Market risk***: the potential for market conditions to negatively impact your business.
- ***Legal or regulatory issues***: potential legal or regulatory issues, or non-compliance with relevant laws and regulations.
- ***Cybersecurity***: the potential for your business to be impacted by cyber threats such as data breaches, malware attacks, or other forms of cybercrime.
- ***Complex tax structures***: the potential for your business to be negatively impacted by a complicated tax structure, which could make it difficult to accurately report and pay taxes.
- ***Single points of failure***: the potential for your business to be negatively impacted by the failure of a critical system, process, or key person.
- ***Complex ownership/cap tables:*** complex ownership structures make it difficult to manage the company and determine who has control.

Building Company Recognition: Public Relations

Look for awards, recognition, and thought-leadership opportunities with media outlets. Many of these are easy to get and give your company instant publicity and credibility.

A few examples:

- *Industry prizes and awards*
- *High ratings on 3rd party review platforms*
- *Published peer reviews*
- *Media exposure on TV, radio, or industry magazines*
- *Strong customer reviews and case studies*

Beyond increasing awareness and exposure, a strong brand reputation can also give investors more confidence in a company's future prospects.

One way to do this is to hire a public relations firm, but you can also do this yourself (see link below).

Supplemental Resources:

- DIY PR For Small Businesses: 17 Proven Ways to Get Free PR Fast
- How to Get 5 Star Google Reviews: 16 Ways to Boost Client Reviews

Reassess Business Structure

I recommend having your attorney review your business entity and all related documentation to ensure you choose the best entity type for your specific situation. It's a good idea to get this in order early on so you don't have to scramble closer to your sale.

When making this selection, think about which offers the most flexibility for you in terms of tax considerations, ease of exit, and retaining value.

Getting your business structure prepped to facilitate an exit can save a lot of headaches later on.

Supplemental Resources:

- Hiring an M&A Lawyer? Don't Forget to Ask These 12 Questions
- M&A Advisors: How to Assemble a Top M&A Team to Sell Your Business

Create Separate Entities for Value Areas

Think about setting up separate corporate entities for your major areas of value – profit centers, tangible assets, and intangible assets (including intellectual property).

Talk to your lawyer but I recommend having these as separate entities (operating company, IP, etc.) held within a broader holding company.

Many keep their intellectual property within their core business, which can potentially be catastrophic. If someone files suit against you, you could potentially lose all of your intellectual property assets.

Setting up your business structure this way gives you a few advantages:

- ***Allows you to isolate and protect against liability***: if one part of your business experiences a significant liability, the other parts will remain unscathed. For example, when you place your IP in a separate company, your IP company can license everything to your core business, which protects you in lawsuits.
- ***Gives you the ability to have multiple exits***: a buyer can acquire the assets they want in a simple transaction, at the same time letting you keep certain profit centers to sell later on.
- ***Retaining profit centers allows you to spin off new businesses*** (i.e., if you sell an entity but keep your media assets, you can redirect these to a new business)

Settle Any Existing Lawsuits and Claims

Make sure that all outstanding legal matters are settled far in advance of any negotiations to sell your business.

If you have anyone filing lawsuits against you before you sell, your sales price could be significantly reduced. A buyer will estimate the potential damages of that lawsuit and ding you by that amount on the valuation.

Set Up Employment Agreements

If you don't already have employment and HR agreements in writing, this is an important step for a handful of reasons:

- ***Protecting confidential information*:** your employees likely have access to sensitive information (i.e., trade secrets, customer lists, and other proprietary data). Without employment agreements in place, there is a risk that these employees could share this information with third parties after the sale, potentially harming the value of the company or causing legal issues.
- ***Clarifying ownership of intellectual property:*** an employment agreement can clarify who owns any IP that is developed by employees during their tenure with the company, ensuring that the buyer will have clear ownership of these assets.
- ***Retaining key employees**: if your company has valuable employees who are critical to its success, it's important to ensure that they will remain with the company after the sale. An employment agreement can include provisions that incentivize key employees to stay with the company, such as stock options, performance bonuses, or other benefits.
- ***Compliance with labor laws*:** can help ensure that your company is in compliance with labor laws, including minimum wage requirements, overtime regulations, and other legal obligations. This can help protect your company from legal liability after the sale.

Consult with your lawyer to ensure that your employment agreements are legally enforceable and provide the necessary protections for your company.

Simplify Your Capitalization Table

The more complicated your cap table, the more potential issues can arise when looking to exit your company.

I recommend trying to buy out partners and private investors prior to selling if at all possible.

Having partners leads to more complex decision making and negotiation, which can make things more difficult and can be a deterrent to potential buyers.

Ensure All Intellectual Property (IP) is Registered

Often times, businesses have developed unique IP that's a valuable asset and vital to their operations. This could be anything from unique patents, trademarks, copyrights, customer lists, to trade secrets.

Make sure any defensible IP is registered to help protect it in the event of a sale. When you register the IP, you also get additional statutory rights that can be enforced in court in the event of any infringement.

This will also make you more attractive to buyers who want certainty that they won't be violating any existing IP rights when buying your business.

I recommend taking the time to conduct a thorough IP audit, which involves reviewing all aspects of your company's IP. The goal is to identify any potential gaps or areas where your IP protection can be strengthened.

Increase Ownership of Intellectual Property

If you can, think about acquiring or licensing IP that others have developed to increase your competitive advantage. This could include anything from patents to trademarks to customer lists.

A couple things to think about:

- *Is there any in-house developed IP that you don't fully own today that you can increase your ownership of?*
- *It's worth securing written work-for-hire agreements from all creators of IP within the business, as well as any outside contractors. This will ensure you have clear ownership and control over any IP that's created and can help to prevent disputes or legal challenges down the line.*

Get a Business Valuation

If you are getting close to a sale, I'd recommend getting a professional business valuation for a few reasons:

- ***Helps you determine the true value of your business***: getting a valuation will help you set a realistic asking price for your business and avoid undervaluing or overvaluing it.
- ***Helps you negotiate effectively:*** with a clear understanding of your business's value, you can negotiate more effectively with potential buyers. You'll be better equipped to defend your asking price and make informed decisions about offers that come your way.
- ***Helps you identify areas for improvement:*** a business valuation can help you gauge the health of your business and identify weak spots to focus on.

Supplemental Resource:

- How Much Does a Business Valuation Cost? Answers to 13 FAQs

Don't Tell Anyone You're Selling

Lastly, make sure you keep the sale of your business confidential. Don't announce that you are selling until a deal is done and all parties have signed off on it.

Don't tell any employee, family member, or close friend unless you absolutely need to. The last thing you need are rumors of a potential sale impacting customer relationships and employee morale.

Next Steps: Getting Ready to Exit

As you transition to the next stage and get closer to exit, below are some additional resources that you might find helpful.

- Business Exit Planning: 16 Ways to Prepare Your Business for Sale
- Selling a Business Checklist: 32 Tips to Sell for Top Dollar
- How to Sell a Small Business Without a Broker
- How to Find the Perfect Buyer for Your Small Business
- Tax on Selling a Business: 13 Easy Tips to Reduce Your Tax Obligations
- Hiring an M&A Lawyer? Don't Forget to Ask These 12 Questions
- M&A Advisors: How to Assemble a Top M&A Team to Sell Your Business
- Rollover Equity M&A: Hidden Gem of Selling Your Business (11 Tips)
- Seller Notes: Exactly What You Need to Know Before Selling
- Add Backs: Everything You Need to Know When Selling (6 FAQs)
- Share Deal vs. Asset Deal: Here's What You Need to Know (10 Factors)
- Selling Business to Employees? Don't Miss These 4 Critical Things
- Buying Out a Business Partner? 12 Things to Know
- Quality of Earnings Report: 9 Things to Know about QOE
- LOI vs. IOI: Everything You Need to Know (11 FAQs)
- M&A Term Sheet: Don't Forget These 19 Things
- Distressed Business Sales: 9 Steps to Prep a Struggling Business for Sale

Want to Work With Me?

Private Consulting: IOX ROI

As we close, it’s my hope that this report has provided value and given you a new perspective on how to think about your business.

I encourage you to take your time with the strategies and come back to this as a resource.

If you’re ready to level up and explore the potential of working with me one-on-one, I occasionally have openings for private consulting.

By partnering with me, you can expect tailored guidance in areas such as:

- *Growing your sales and profits*
- *Expanding via acquisition*
- *Boosting your valuation*
- *Getting exit ready*
- *Selling for maximum value*

When we work together, my commitment is to deliver value that will **at least 1OX your investment**.

To ensure personalized attention, I only take on a limited number of clients at a time. My aim is to overdeliver, help you achieve your goals, and treat your business with the care it deserves.

If you’d like to learn more, feel free to reach out to me (jack@jacktalksbusiness.com).