

**White Paper:**  
**Maximizing the Value of Your Business**

By  
Darlene B. Crane, President

**How is value creation different from profitability?**

Profitability describes the short-term results of your business by day, month, quarter or year. Value creation is the process of building the total value of your business. If you know the value of your business then you can choose to sell it when you are ready. Value means the "monetary or material worth your business." Business Brokers and accountants who develop valuations say that business owners wait too long come to them unprepared to sell the business which reduces the sales price. These professionals know it can take three to five years to prepare a business to sell at a maximum price instead of a desperate minimum price.

**How do you increase the value of your business over many years?**

Use the following value creation processes to derive the benefits of your hard work as an owner. Important processes to maximize value are:

1. Identify markets where you can create distinctive value for customer
2. Develop products customers want to buy
3. Launch products into multiple niches to find the strongest demand
4. Make decisions that lead to a successful exit

**1. Identify markets where you can create distinctive value for your customer**

Assume you have a brilliant idea for growing your business. In this economy you have to know the market and niche where customers are likely to buy your product. Of course the first step is to going to the Internet and finding out who may be talking about your market and your potential customers.

Fashion designers frequently go to stores or restaurants where their desired customer spends time to observe people with fashion forward styles. This is called doing primary market research to get insight into how your ideal customer behaves and want to buy.

When you have an idea for a product line or business make sure that your unique strengths also add distinctive value.

What does uniqueness look like? It is your point of view in your industry or original contribution. For example, architects copyright all their drawings. The accumulation of these original designs develops into a unique style and reputation in the industry or region. Chef's become known for a unique style or special techniques in preparing food, the design of the restaurant and service that creates a unique customer experience.

Uniqueness is also associated with your "point of view." If you are a developing a service package for consulting, develop your own methods, tools and communication style. Even if you are required to use a standard methodology then develop unique graphics and presentation style. Create a customer experience that generates a strong emotional response. You want an, "I gotta hire you!" response.

## 2. Develop products customers want to buy

If a business is product driven, it is 35% more likely to be over \$1 million in sales and growing because product distribution is scalable. For products to generate cash flow and profitability they must:

- Address a strong want
- Deliver specific benefits and hold value
- Be well designed and easy to use
- Create emotional satisfaction

Guy Fieri is a star on the Food Network. He has a very popular show called *Diners, Drive-Ins and Dives* where he showcases thriving small restaurants. On the show he goes into the kitchens and taste tests the most popular food items in the restaurant.

Once in a while he will bite into a sandwich or pie and then looks into the camera and says "That's money!" Guy recognizes that this food item is a product that customers will buy every day. That one sandwich becomes a revenue stream in itself, not just an occasional purchase. Restaurant that build consistent revenue streams across the entire menu are more likely to be highly successful.

## 3. Launch products into multiple niches to find the strongest demand

A good product never has a chance to produce value unless it has a good launch into the right niche. I recently worked with Barbara Lewis the Founder of TripleGift, Inc. when she was creating a greeting card. The card is a threefold card to encourage children to use the money wisely. The card has three sections for cash gifts to children. The first section has a slot for money to spend, the second section has a slot for money to save and the third section has a slot for money to donate. This is a wonderful product that grandparents respond to emotionally.

The obvious target market for this product was the greeting card market. But when she showed this card to store owners some did not recognize the value of the product. It was becoming a hard sell. However, when owners of stores for children's educational products saw the product they fell in love with it. The card is really an educational tool. Now the owner is becoming a vendor to a chain of stores selling educational products.

#### **4. Make decisions that lead to a successful exit**

Right now all businesses are dealing with uncertainty. Make your decisions with a long-term view. Take the time to set criteria for what a satisfying exit from your business looks like. Write out the financial rewards you want, the legacy you want to leave your industry, customers, professional peers and your family. Those rewards are likely to vary less than the fluctuations in the stock market.

If you're facing a tough decision be sure to ask yourself what results come from you decisions and do they support your long-term goals? Be willing to let go of unclear goals or efforts. It is much easier to stay focused on direction that maximizes the value of your business. Be able to derive the rewards of your years of hard work.

### ***Value Creation Guidelines:***

- 1. Obtain a valuation of your business every 3 to 5 years.*
- 2. Go to where your ideal customer lives and learn how they behave and what they want.*
- 3. Keep refining the product to get a strong positive emotional response.*
- 4. Increase the value of your company by adding consistent revenue streams*
- 5. Test the product or service in different market niche(s) to find the niche with the strongest demand.*