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How Your Marketing Investment Impacts the Sales Value of Your Business

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You've heard the advice before – if you are serious about selling your business in the near future, you need to prepare at least three years in advance. Otherwise, you risk leaving money on the table. And your investment in marketing is a critical part of that advance preparation.

Qualified buyers place a high value on your market presence and your customer base as well as your current marketing team and processes. Typically, buyers do not want to divert their own marketing resources to a new acquisition. So, they count on your existing marketing assets to drive revenue.

Your market presence must be evident.

Successful businesses invest many years in establishing brand recognition, market niche, vendor relationships, customer loyalty and numerous other intangibles. This is a part of your company that must be evident.

For example, a well-developed website and digital footprint strengthens a buyer's confidence and comfort level and, in turn, the likelihood of a sale at a price you expect. In turn, a new owner may be able to leverage your strong brand to grow sales for other affiliated companies or products.

The strength of your marketing team and processes is of interest to a qualified buyer for a couple reasons:

- First, your customers are more likely to have a relationship with the company, not just the current owner, making customers less flight-prone in a transaction.
- Secondly, the new owner is not going to have to immediately create a marketing and sales department. This saves them money, speeds implementation of marketing and sales initiatives and reduces risk.

Your customer base should be diversified.

If your business is in great shape, your customer base is already diversified. Without this, you risk significant loss of value to potential buyers.

If one or two customers represent 60 percent of your business, buyers know that they are taking a huge risk; they could buy today and lose half the business tomorrow. They discount the value accordingly.

An exception would be a strategic buyer who wants to do business with a specific customer and believes the best way to get that customer is to buy a company that does a large volume of business with them. A second exception is a buyer in a commodity industry simply looking to acquire additional volume.

Your marketing data must be current.

A potential buyer already may know your industry; if they don't they will before they make you an offer. You are in a much stronger position to negotiate if you already have the answers to the questions that they are sure to ask. Consider how you would rate yourself on the following statements:

1. We know our competitors and how we measure up against them.
2. We consistently research our competitors.
3. We understand our competitive competencies, intellectual property, strengths and weaknesses.
4. We know why customers do business with us versus our competition.
5. We compete on more than just price, customer service and quality.
6. We consistently and proactively find and win new business.
7. We set annual revenue goals for each industry we serve.
8. We have clearly defined sales strategies (employed sales vs. rep sales, distributors vs. brokers)
9. We position ourselves as experts in the industries we serve through press releases, trade journals and speaking engagements.
10. We consistently measure marketing results and ROI for our marketing efforts.

Your investment in marketing must be consistent.
Like your products, services and business operations, marketing requires consistent, strategic planning and investment. Each facet of your marketing efforts plays an integral role in the value that a potential buyer places on your business. And when you decide to sell, you want to be in position to maximize the opportunity.