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INTERVIEW SERIES

How To Sell Your Business For Top Dollar

Michael Senoff Interviews Business Selling Expert

 Michael Senoff's
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Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

Founder & CEO: www.hardtfindseminars.com

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How To Sell Your Business For Top Dollar

In this interview, you'll meet an expert who helps business owners sell their businesses for the highest amount possible. According to him, 75% of all businesses on the market today won't sell. And of the 25% that do, only about one percent will sell for a good price. But there are steps you can take right now that will help your business to draw top dollar in the future, and in this interview you'll hear all about those steps.

And this expert knows what he's talking about. He's consistently sold his businesses for more than the competition. In fact, he once sold a business that was valued at \$800,000 for \$2 million. And he tells you exactly how he did it – how he found the right kind of investors for the sale, packaged and positioned the business so it was at its best, and created a sense of urgency that made for a bidding war.

According to him, business owners should be thinking about an exit strategy like that one right from the beginning. It takes a little visualization, research and planning, but it's well worth the effort.

Key Concepts Of The Interview

- Why it's important to differentiate yourself from the business down the street – and ways to do that
- Why you should know what your industry stats are and ways to consistently beat them
- What key components a business must have in order to attract the right kind of potential buyers
- Ways to sell your business without the hassle of a broker (who may just want to sell for any price)
- Why it's important to get your business evaluated before you sell – and why you may not want to go with a no-name company
- What banks are looking at when evaluating a business – know this and your business will be attractive to people who need financing too

Ideally, you should be prepping your business for the market when you first start out. But don't worry if you haven't. According to the business-selling expert, it's never too late to begin and he specializes in helping business owners at all stages of the game.

So if you own a business or are thinking about owning one, this interview is for you. You'll find a lot of useful tips on how to get top dollar for your business in any market and any economy. Enjoy.

Hi, I'm Michael Senoff, founder and CEO of [HardToFindSeminars.com](http://www.hardtofindseminars.com). For the last five years, I've interviewed the world's best business and marketing minds. Along the way, I've created a successful publishing business all from home from my two car garage. When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home. Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews. I knew I needed a site that contained strategies, solution and inside angles to help you live better, to save and make more money, to stay healthier and to get more out of life. Internet marketing and marketing in general can be a mine field. Thousands of people everyday lose their shirts trying. I've learned a lot in the last five years, and today I'm going to show you the skills you need to survive.

Harvey: Most people when they're in the shower in the morning, they think about income. They think about how they're going to generate revenue that day, that week, that month to pay themselves and to pay their staff, and that's fine. That's income, but what they really should be thinking about and what completely differentiates a good business and a great business is they should always be thinking not only about income, but also about equity.

You see, you can carry on thinking about income, but at the end of the day whether it's in one year, whether it's in three years, whether it's in five years, there will be a time when you want to sell your business, and there will be a big payday if it's structured right.

So, all the time they need to be thinking about how they can generate that big payday.

Music

Hi, it's Michael Senoff with Michael Senoff's [HardToFindSeminars.com](http://www.hardtofindseminars.com). On my site, I've got lots of interviews on how to buy a business, and lots of interviews on how to grow an existing business, but here's one that will show you how to position your business best for sale. It's with a leading expert and recognized authority on how to sell your business. This interview is 45 minutes long. You're

going to hear a wonderful story on how he's helping others sell their businesses for more. Get ready, and enjoy!

Michael: Take me back to beginning. How did it all start with these assisted centers? Did you have a family member or something that you experienced it first hand?

Harvey: No, it goes back even further. It goes back to I used to be a financier. I used to be a banker. The company I worked for, we used to finance all different types of businesses. We used to finance retail businesses. We used to finance restaurants and clubs. We used to finance obviously assisted living centers, nursing homes, care homes, and investments.

So, I did that for about eight years, and so I got to see a whole range of different types of businesses. I knew at some point I wanted to do my own, and so I choose to go into the assisted living center and market because it was a great opportunity. Although I knew regulation was about to come into the marketplace, it was still enormous opportunity in terms of two things. One, there was enormous profits in it, and two, there were mainly what I call Mom and Pop businesses, and there was very little, what I call, professionalism and systems.

Michael: Did you finance some of these?

Harvey: Yes, at that time I was working for a finance house, so yeah, we were financing them, but I was traveling all around the UK seeing the good, the bad and the ugly really. Not only in that sector, but in others sector, but I made a decision I wanted to get into that sector because I saw great opportunity.

During the end, myself I bought one of the homes. I bought a home eventually, and then I bought a second home myself.

Michael: How many people did it occupy?

Harvey: The first home I bought was registered for thirty, and then the second home, I bought a year later was for 28. Then, at the same time, I was looking around, these homes even in those specific assisted living centers you would call them, even in those days they were expensive to buy. They were capital intensive. So, even in those days they were probably, in US terms, between one and one and a half million dollars, sometimes two, even in those days.

So, I had a choice. I got a couple of homes, and I was doing okay, but I wanted to grow quicker. So, I looked around for someone with more money than me, and then I found someone. I found an investor who was interested in getting into this sector. Rather than buying something, he wanted to start something up from scratch.

For about a year and a half, we negotiated a kind of a deal. They would put the money in, and I would go and see them a return. They would give me a stake of the company, and I would run it basically and give them their return. So, we had an idea that over five years, we would get to ten homes in five years. We had kind of a plan, and that's roughly what we did.

I still had my other two centers as well, which were nothing to do with group. I still was running those businesses all the time, but with the investors, we created a group to build and create and develop and do some things significantly in a relatively short period.

Michael: As a financier, you saw first hand what made a good business. You had to look for strict things within the business that you could make a decision to loan this business money. Now what were some of the big mistakes you were seeing when people came in and wanted money for their business?

Harvey: The mistakes were – in England we have this expression, people were rose-tinted. Do you have that expression rose-tinted? They see things through rose tinted glasses?

Michael: Yeah.

Harvey: So, because you go into a care industry, quite rightly, they wanted to care for the patients, for the residents, so their clients, but there was very little financial acumen involved. There was very little commercial kind of perspective.

So, whilst they had good intentions, often, that's all they were. They were good intentions. So, there was no planning. There was no marketing. There were no systems. It was just totally ad hoc, and they will provide good care and the money will follow and everything will be fine. Sometimes that was true, but often it wasn't.

When we were lending to people, we were lending to people who had obviously good intentions, but also had some kind of greater commercial perspective on the deal. So, we knew we would get paid

back as well. So, in those days, it really was, as I said, Mom and Pop businesses.

You used to find people who were qualified nurses, who would get fed up in working in the NHF, and they wanted to do their own thing. So, they would go into and buy a care home from description, but they'd have no idea of what it took to be self-employed and actually run a business.

Michael: Right, so you could see what the industry was doing, and you coming from your background knew you had to have an exit strategy because you had a financier. So, what was it that you did that gave you this increased value when Deloitte and Touche evaluated? What are some of the things that you did in your business that allowed you to sell it for top dollar?

Harvey: There are many things. The first was building a team of people. That's the first. You need to create and build a team so the business wasn't exclusively. I drove the business, but I had a team of people under me. I had managers, the directors, and I had a team where I trained them and I gave them the value and the vision was emanated from myself, but that requires a lot of training and supervision and time spent with a number of people over a period of time.

So, first off, you have to have a vision. I had a greater vision. I knew strategically right at the very beginning how I wanted the centers to be. So, for example, one of the things were about – all of the centers were an hour from my house, so we weren't dotted all around the UK. We were reasonably local. It was relatively easy to manage.

The second critical point was that the centers were the most expensive, and again, that was done on purpose. So, on average, people if they choose a center, they go and visit three centers. A relative, their mom needs to go in an assisted living center, into a care home. On average, they go and visit three, and so I wanted them to go and visited three. I wanted us to be the most expensive.

I didn't want to argue about price. We were going to obviously deliver greater value for that in terms of facilities, in terms of training, in terms of the care we provided. I wasn't a commodity business. I wanted to complete differentiate myself.

Michael: In the research you did, you knew that the market could sustain a premium price?

Harvey: Yes, because it varied from locality to locality, but I knew that when I bought centers I did obviously my research and checked that the market could bare the expensive rate. So, that was also one of the reasons.

Michael: What did it cost?

Harvey: Well, for example, in the end, the average fee per week would be \$600. That would kind of an industry norm. Our average fee, in English it was 374, so it would – times that by two, so \$740 or something of that description.

Michael: Per week?

Harvey: Yeah, per week.

Michael: Did insurance cover any of this?

Harvey: No, essentially the care market is split into two types of people. Either you're private, in which case it's not the insurance that pays. It's just people's set pa. Either they sold the house, and the investments, or they took investments over the years, and those investments pay for the care. So, those are the private payers.

Then, there's a rate which the government pay which is obviously a really poor rate, and that varies from area to area. There is often a big distinction between what a private person would pay and what a person from the state or from the government would pay.

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Michael: The universal health care there, the government would take care of somebody if they couldn't afford it.

Harvey: Yes, correct. The rule was if you had less than \$40,000, the government would step in.

Michael: Was it sub-par care?

Harvey: No, care is care. The only thing where we would differentiate, so that if someone was paying \$600, or \$700 or \$800. The only thing we would differentiate is on the facilities. So, they would have better facilities, and the room they had, they had three rooms. We had lovely gardens.

They had rooms with a view and stuff like that, but care is care. You can differentiate a care provider.

We'll provide care to anyone whether they're state-funded or whether they're private.

Michael: So, you had the premium price. Did you justify that price to your clients?

Harvey: We explained why people could afford it, why we were most expensive, and like I said, because we invested enormous amounts in the facilities. So, a lot of the rooms and the general facilities, the kitchen facilities, the bathroom facilities, their own facilities were of extremely high standard and a lot of our centers had wonderful gardens. So, again people could look at that.

Also, another significant thing is in everything we did, we always beat the industry average. So, for example, the government said that your staff had to be at least either 25% qualified or 50% qualified in some way. So, whenever there was a number, we always beat that number.

So, for example, let's say it was 50%. We were always at 75 or 80 or 90%, or if it was a 25%, we were always at 50% or 60%. So, we were always beating every number in the industry.

Michael: You were doing this for a reason, all for that exit strategy.

Harvey: That's how you run a business. So, for example, there's always two or three key numbers to any industry. So, in the assisted living centers, there's two key numbers. The first number is, are you filling your beds? What's your occupancy rate? How are you filling your beds? The industry average at that time was 89.3%, whereas our occupancy, our statistic was in excess of 97% year on year, not just one year, year on year.

So, we were completely beating the industry statistic by a considerable margin every year.

Michael: Let me interrupt. Let's take you back. You're a financier, and you see that number. What is that mean playing the banker's hat? When you see a stat like that, and you see you're above average, what does that mean?

Harvey: The industry norm is fine, and there were those below industry norm. In which case, those businesses have difficulty. Then, those that are

at or close to the industry norm, and those businesses are ticking along and paying the bank back, and they're making reasonable money. So, that's okay.

As I said right at the very beginning, I wanted to completely differentiate the business that I was associated with, and I wanted to completely make it stand out, make it marketable, completely differentiate myself. So, I knew whatever the industry that was, I had to beat it and I had to beat it by a significant margin, which is what I did.

Michael: The evidence behind that number are your systems, your business systems.

Harvey: Correct because for example if the average is 89.3%, the occupancy, filling the beds, in my industry stat year on year is in excess of 97%. How did you do that? Well, you do that, it doesn't happen by magic. It happens by brilliant training, brilliant marketing, being completely innovative in what you're doing, and that's what I was.

So, I won industry awards. I won a marketing award. Every industry has its Oscar ceremony. In the industry, I have quite a high profile and I won a marketing award because of what I was doing and my stats. So, that was one stat.

The second stat was that in the care industry, the critical stat is margin. What's your net profit? At that time, the average net profit was roughly between 22 and 25% net, but again, the business that I was involved in was in excess of 30% year on year. So, those are the two industry stats.

I knew what the stats were and I knew what I had to be year on year to beat those stats. You say, "Why did I sell for top dollar?" Well, these are some of the reasons why. You set a business up. You know what the industry stat is, and then you set out a business, you create a business to beat those stats.

Then, people want to buy you because you're way above the norm. You're completely different.

Michael: So, how many facilities did you build it up to?

Harvey: At the peak, we had twelve, and then when I sold, we got rid of one or two and there was ten, and then I also had further two centers as well in my own right but in the group. We had twelve at the peak.

Michael: Were there other centers that had that many, but just not by them?

Harvey: Yes, absolutely. In relative terms, we were small. We were a small player. The top ten players, massive companies, they have thousands and thousands of beds. So, in relative terms, we had 350-400 beds. So, we were still a really quite small player. We were not a major player in the marketplace in terms of someone who had 3,000 or 5,000 beds. We were just a relatively small, what I call, regional player.

Michael: But, you had in your mind the business sold before you started it.

Harvey: Completely.

Michael: Did you have an idea who was going to buy it? You knew a big one was going to buy it.

Harvey: I knew either a big one was going to buy it or someone bigger than myself. If you've got a home with 300 beds, than someone with either a thousand beds or three thousand beds or five thousand beds will be interested in buying you.

Michael: So, at what point did you know it's time to sell, and why at that point?

Harvey: I knew it was time to sell because I gave myself a time frame, and so I built it up over six to seven years, and then I saw the market was beginning to what I call peak in terms of timing. So, at that point, I then thought, I've given it my all. I've given it seven or eight years. The numbers are, in terms of the valuations, becoming good, and I think the market, the industry is beginning to turn around and it's actually beginning to peak.

Michael: What was happening in the industry that made you believe that?

Harvey: I kept a very, very close eye on valuations and the valuations were starting to rise. I knew people were coming into the industry and were buying at very good prices, and people were requiring good prices. I was closely watching the industry, what was going. I was networking a lot. I had a reasonably high profile.

So, I knew what was going on, and also from my own personal point of view, I had given it my all. I also wanted to move on. I realized then I had done well, and I wanted to move other businesses and do something else where I didn't have the sense of responsibility. It's a serious business looking after elderly people. I had a good run, and I was happy to bow out with my name in tact.

Also, I had been working very, very hard and I had a young family. There was personal reasons why I thought, "Yes, I could stay in the industry for another five years and probably double the value and double the group size, but I'm happy to bow out and spend more time with my family while they were still young enough." Also, do something else without responsibility for a hundred staff.

There was personal reasons, but also there was overt reasons in terms of I was watching the values very, very carefully.

Michael: So, for others who have a business and they want to sell, what's the first thing you did to prepare for that sale? Was it getting it appraised?

Harvey: Yes, I got a valuation done, and as I said, as you see, I didn't get a small broker in or a small time consultant in. I choose to get in the best. So, I got in Deloitte to value the business, Deloitte Touche, and they're in the top four in management and accountancy firms in the world.

Michael: And, they're job is to come back to you and say, "This is what you should sell your business for."

Harvey: This is what your business is worth, exactly.

Michael: How long did it take them to evaluate it?

Harvey: Not long. I was prepared anyway. We had the information, so a couple of meetings, a bit of information. It doesn't take long for the process a business if it's organized.

Michael: Let's say you've got business people listening to this, and they want to get the value on your business. You talked about those two numbers.

Harvey: There's two critical numbers. In the industry I was involved, they were what's known as occupancy rates, are you filling your beds, and the average was 89%. Mine was in excess of 97%. Then, the second number was what's your margin, what profits are you making? The industry average was between 22 and 25%. Year on year, we were in excess of thirty.

Applying it to any other business, whether it's the retail business, whether it's professional practice, whether it's manufacturing centers, it doesn't really matter what the business is, in any industry, in any sector, there's normally two, sometimes three or even four, but normally there's two or three numbers which are critical.

So, the key point is A you've got to know what those numbers are, and then the second thing if you want to sell, and you want to sell for the most amounts of money and being really in the illusive one percent who sell to the most amounts of money, you've got to beat those numbers. You've got to not just beat those numbers for one year. You've got to show a consistent track record of beating those numbers. So, that's advice.

When it comes to you to exit, when it comes time to sell in whatever time frame it is, one year, two years, three years, five years, whatever, you've established it. You don't say, "Today I'm going to sell my business." It's already pre-primed. It's already worked out. It's already organized.

Michael: So, back to your business, if you were average the industry, it would've sold X, but because those numbers were higher and you were above average, it sold for X. What did that mean to you money wise?

Harvey: It meant a significant amount of money. Let me give you a clear example. Not in the business, but in one of the other businesses that I sold, let's keep it very, very simple. One of the other business that I had was making 100,000 pounds, so call it \$200,000.

In the industry, the norm, it would've sold for \$200,000 on a multiple of four. So, it would've sold for \$200,000 times four. It should've sold for \$800,000.

Michael: What kind of business was it?

Harvey: It was another assisted living center. I sold that business. I sold that on a factor of ten and a half. I sold that business for English 1.1, so in US, I sold it for \$2.2. So, you've got a business theoretically that should be valued at \$800,000, that's the norm, and yet I sold that business for \$2.2. That's just under 300% return.

Michael: That was because of your margins. Was it a high end place, too?

Harvey: No, it was exactly because I had systems. I had great occupancy. I had great profit. I had well-trained staff. Again, I set it up right at the beginning. I had that business again about eight or nine years, but year on year, my margins were good. My staffing was good, and my occupancy was good. Everything was good.

So, in simple terms, you've got average business that sells for \$800,000. That's a business that sold for \$2.2 million, and that's the difference. In financial terms, that's what it means. It means a lot more money.

Michael: Give me some key components and what makes a business attractive to a buyer.

Harvey: As I said, we talked about it. The first thing is, what are the numbers, and are your numbers in excess of the industry. So, we covered that. We touched on this at the beginning. The second thing is that they mustn't be reliant on you. So, you must have a team of people, the more people the better, but even if it's at least one person, you've got to have people under you. You've got to have a manager or management team under you, so, it's not reliant on you. That's really important.

The third point, we did not talk about it, you need to have a business where there's systems, and often businesses are run in an ad hoc way, in a periodic way or whimsical way even, but for a business to be worth a significant amount of money, you've got to have business systems.

Let me give you an example. We had a business where there was an operations manual, and the operations manual was about four or five hundred pages. So, it covered all the different topics – a section on finance, how we collected money and internal options, there was a whole section on marketing on what we did to make sure we filled the bed. There was a section on operations in terms of the care delivery, what we did in terms of the care. So, there's all different sections, and that's all systematized and it's all written down.

The critical point to remember is that the greater the detail, the greater the layering of the systems, the greater the value to the business. That's another key component of why people will pay top dollar for businesses.

Another kind of important, it wasn't relevant to my industry, but another important point to consider is a buyer doesn't want to feel exposed. So, if your business is reliant on kind of one or two clients, then that's really, really bad news because although you may have good relationships and you're contributing in terms of revenues and profits and stuff, but you could fall out with those people. So, that will make a buyer extremely nervous.

I'm not saying they wouldn't buy the business, but they certainly won't pay maximum price, top dollar for that. That wasn't particularly relevant to my industry, but sometimes the other business where people are too reliant on one or two or three clients, three customers that they represent significant amounts of revenues and profits, and that would make a buyer very, very nervous.

So, those are some of the other factors which sellers and buyers need to consider.

Michael: What are some of the industry statistics on businesses?

Harvey: The actual amazing statistic, my research showed that 75% of businesses that go to the market, that are either listed or put up for sale, don't sell. It's just frightening. So, there's 25% only that will actually manage to sell, and of that 25% who actually manage to sell, the likelihood is only one percent, so one in a hundred will actually only sell for a price that they're actually happy with or maximum price.

So, the numbers are not really great. They're quite dispiriting really. If you think about all the hard work that people put into that business, and when it comes for them to sell, and often it's a retirement situation. It's their pension. If they're not prepared and they're not organized, then that pension completely disappears and they have to continue working the business.

Michael: How are you able to sell your business? Once you've got the evaluation, take me back to you've got that number. You know what it's valued at.

Harvey: Well, there are different ways of selling it.

Michael: How do most people sell? They just list it with a business broker?

Harvey: Yes, that's right, and again, you need to think carefully about that because I'm not saying you shouldn't use a list broker. Often, you should use a third party, but there's hundreds and hundreds and thousands of business out there in the marketplace. So, you've got to find a way of differentiating your business. You've got to stand out basically from the clutter, and that's difficult to do.

Again, it goes back to the things that we've spoken about earlier, how you differentiate yourself from the clutter. You've got to make your offering, your business, extremely attractive in terms of what is being laid out before a perspective buyer.

Michael: Do business brokers on a whole know what they're doing, or are many of them just inexperienced?

Harvey: The problem is the only way business brokers get paid is if they sell it. So, their agenda is to sell the business. Their agenda isn't necessarily the same agenda as the seller. Yes, the seller wants to sell, but he wants to sell for the maximum price whereas often the agenda of the broker is he wants to sell not necessarily for the maximum price. If it sits around, he isn't earning commission.

There is often a conflict between what the broker wants and what the actual seller wants, and that can cause a bit of tension sometimes.

Michael: Are there better ways to sell like a smaller business?

Harvey: Well, I'm not saying you shouldn't use brokers.

Michael: What's another avenue? What's another way?

Harvey: Another way of approaching it is selling it yourself. Let me give you a couple of ideas. For example, if you have a business and you're thinking of selling it, yes, it's still worthwhile to speak to some brokers and get some valuations done, but you may want to try and consider selling it yourself.

So, the first thing that I would urge you to do is create kind of a potential hit list of people of who you think may be interested in your business. So, most buyers think, "Oh, well, I think maybe one or maybe two people might be interested in my business, and maybe one of the competitors." Often, if you start to think in a more rational way and a bit more of a strategic way, you can find and think about other ways and other potential buyers.

So, the first kind of practical piece of advice I would always give people is that they should read the industry magazines. Often people neglect and are too busy running the business and doing other things, and they don't read. In every industry, there's always two or three magazines, and in those magazines is a wealth of information about people, about companies that are doing very well. There are companies that are buying other companies or have acquired other companies.

So, you need to be looking and watching out for those companies. Maybe if your business is positioned right, and sometimes it's even

worth thinking about approaching them. As I said, sometimes it's best to use a third party, but on other occasions you can approach them direct.

The trade press, the trade magazines, the periodicals, the journals, there's a wealth of information in there. The other thing, kind of another idea is obviously talk to your vendors. Your vendors are supplying other people in the industry, and they know who's buying and who's selling and who's doing well and who's doing badly. So, they're also a really good source of information.

The other two kinds of information are obviously your own networking, and another source of information is obviously each industry has its own trade show. So, you need to be going there and finding out what's going on.

One other idea is that if you think also about someone who's not from your industry, but from one outside, you need to think about who else would be interested in my kind of client base, customer base and stuff like that, someone who is not in your industry, but has a business in a complimentary industry. So, they may be looking to get into your industry, or they may use that customer base as another line of additional revenue.

There's a range of different kinds of, if you think about in a slightly different way, there's not just one buyer. There's a range of different buyers, and there's all different ways to strategize and do some research on how you can create your own kind of hit list.

Michael: Take me back to your business. Once you had the valuation, what did you do to sell?

Harvey: I'll give one instance. The business that I sold for \$2.2 million, again I had it valued, and again it was valued close to that figure. In that case, I did use a broker. I wanted to use a broker. Although I had a network of people, I choose a broker.

If you are using a broker, you need to do obviously due diligence and so some research. So, I knew these brokers. I knew they specialized in selling that particular business, specialized in the assisted living centers. I knew those people.

So, what I did is I gave them all the information. Normally, a broker would prepare what's known as a sales memorandum, the sales particulars, but I prepared it instead of the broker because I wanted to

really make sure the key points about the business were really highlighted in a very careful and a very appealing way.

So, I wrote the sales particulars and just made sure that the key points were made and it was attractive, and it would attract interest basically. That's what I did.

Then, what I did was then spoke to the broker. I said, "Give me the list of the people who you think would be interested in this business." So, they came back to me with a list of I think it was twenty names who might be interested. I said, "Approach those twenty people, just informally at this point in time to just see if there's interest."

He approached those twenty people, and I think it was about half said that they were interested. Ten or twelve were interested in learning more. I told the broker then to get those ten, twelve people to sign what's called a non-disclosure agreement, which just protects any seller in terms of confidentiality in terms of information being provider.

So, they signed that information, signed the agreement, then the sales pack was then sent to them. Then, after that, I gave the broker, I said, "If there's going to be any viewings, I want to do the viewings on two days only. I've got a two hour slot on Thursday and a two hour slot on a Friday." We only just restricted to those two days, and either they could see it or they can't.

I was setting very, very clear parameters. I was in effect controlling the process.

Michael: What was your strategy for that?

Harvey: Create urgency, in terms of, "I'm serious. If you want to see it, these are the only two days in which you can see it. You can't see it any other time because the following day, it's going to go."

Michael: You let multiple people in the viewings?

Harvey: No, separate viewings.

Michael: Separate viewings, each person individual.

Harvey: Yes, absolutely, but I wanted to create urgency, and people know that there were people going to see on those two days. Again, it's very unique in how I controlled the process.

Of the twelve people, I got, I think it was either five or six viewings. I got roughly half of them viewed on those two days.

Michael: How long did a viewing take?

Harvey: I would take roughly about an hour.

Michael: You'd walk them through the facility?

Harvey: Yes, I'd walk them through the facility and I had information, and then I would answer whatever questions they wanted to ask. I would be free and open and give them as much information.

Michael: What was the asking price on the paperwork?

Harvey: The asking price, I think it was 1.25.

Michael: Had all the people been qualified financially before the viewing?

Harvey: Yes.

Michael: Did any of them own other care facilities?

Harvey: That was a precondition. I prequalified them. They had to have owned at least one center beforehand.

Michael: Good, so you had qualified people, and they're going to compare what they've done to what you've done.

Harvey: Exactly, I think it was five or six ran over the two days, and then not surprisingly, that generated two people who were interested. So, they put in offers, not nearly asking price. So, then we started to play one against the other. Again, we set deadlines on that. I said none of them were accepted, so I gave them seven days to put their best offer in basically, so, again create the urgency. They knew each other were competing.

They're good homes, so that's one of the reasons we got good margins, and then the put their offers in and I choose the one that put the best offer in. Then, we agreed to a time table to do the deal, and the deal was done.

Michael: Now, that was for a smaller one. What about the big one you sold for 30-something million?

Harvey: No, the other one what we did was we had the valuation done. Remember on the one, I had two investors. So, I said to the investors, "Look, this is the valuation. Here's what Deloitte says it's worth. I want out. Do you want out with me? Can we all sell together and make some money and do okay?"

What happened was on that deal, the investors said, "Fine, let's go ahead and if you hit this number, we'll come out with you." I got that number from a perspective buyer, and the investor got cold feet and he wanted to stay in. So, I knew I could get the number. It was valued by Deloitte. We knew we could get those numbers, but he wanted to stay in.

What happened then, I said to the investor, "Look, these are the numbers we got from Deloitte. We know the buyer. If you want to stay in, you've got to pay me out."

Michael: So, he bought you out.

Harvey: They bought me out.

Michael: So, you got out of it, and they're still in the business.

Harvey: No, they sold. I spoke to them. I'm still friendly with them, and I saw them three weeks, and they just sold.

Michael: Did they get around the same numbers?

Harvey: They were very coy.

Michael: They were very coy?

Harvey: They never told me what numbers they got.

Michael: No hard feelings with you.

Harvey: No, not at all. I was happy. I got out. I did well, and it was fine. We were still on good terms. In that situation, once I knew they wanted to stay in, I brought in a new CEO, or we call it managing director, and I brought someone in to them, and I trained them up. So, they didn't feel like they were exposed. I had a team of people anyway, but I brought in a new person.

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Michael: So, how much does marketing come into play. Really, are we talking about better marketing, great marketing, systems and that's where you're going to get your numbers.

Harvey: It's about a number of things. As you said, it's about systems and systems could mean in terms of all different facets of the business, in terms of how the operations work as well as the marketing. Critically, I use the word marketing. You see, often, it's about profit. It's about what profit is the business making, and as you know, there's only three ways to increase the profits, and therefore increase the value of the business.

The first is obviously getting new customers, new clients, new patients. The second is increasing the frequency of the transaction so that buying more often. The third is not only buying more often, but they're spending more money, increasing the transaction size.

So, really on the marketing side, it's analyzing and developing each of those three strands, each of those three strategies, devoting specific strategies to each particular one of those three elements, and really putting in systems in each particular way. So, all the time, you're layering the marketing. You're doing all different strategies on whether it's on new business. You're not just applying direct mail. You're doing telemarketing. You're doing promotional stuff. You're being educated. You're doing all different aspects.

Similarly, if you're on the frequency, you're communicating with people. You're doing newsletters. So, there's all different aspects all the time. You can't just focus on one aspect of the business. It's layering all the different aspects of your business, and that will obviously affect your bottom line, your profit, and that ultimately will affect the value of the business.

Michael: Can you describe the difference between income and equity?

Harvey: Yes, massive difference. Most people when they're in the shower in the morning, they think about income. They think about how they're going to generate revenue that day, that week, that month to pay themselves and to pay their staff, and that's fine. That's income, but what they really should be thinking about and what completely differentiates a good business and a great business is they should always be thinking not only about income, but also about equity.

You see, you can carry on thinking about income, but at the end of the day whether it's in one year, whether it's in three years, whether it's in five years, there will be a time when you want to sell your business, and there will be a big payday if it's been structured right.

So, all the time they need to be thinking about how they can generate that big payday. So, they need to be thinking about who's going to buy my business in one year, three years, five years? Why would they buy my business? What differentiates my business from the business down the road?

These are really critical things that need to have equal prominence, not only when they're in the shower thinking about income, but all the time, they should be thinking about equity as well. Most business owners just don't think about that.

Michael: When should a business owner start thinking about selling his business?

Harvey: He should think about it right at the very beginning. Like I said in the beginning, I talk about begin with the end in mind. Steven Covey talks about begin with the end in mind in *Seven Traits of Successful People*. I think chapter one or the first successful trait he talks about begin with the end in mind.

He talks about it in a personal development kind of way, but I talk about it in a business way. Nine years ago, I began with the end in mind. I wrote down how many centers I would have. I wrote down the staffing. I wrote down the numbers. I wrote down my market positioning. I wrote down who I was going to sell to. I wrote down my time frame. I wrote down my numbers.

So, I would urge all business owners to begin with the end in mind, where even if they're not starting a business today, then they should write down today what their business is going to look like in one year, three years, five years, seven years, whenever they want to sell that business. They've got to map how exactly, how it's going to look.

Michael Gerber in *The EMyth* talks about the picture of the business when it's being done. Well, he's right. You've got to picture that business when it's done. You've got to figure it out at the beginning what it's going to be like when it's finished.

The ideal time is right at the beginning of the journal, but if business owners don't do that, then wherever they are in their business cycle

today where the business has been going for two or three years, and they want to retire in three or four years, they need to write down what the business is going to look like, what the revenues are, what the staffing is, the profits they're making, and also they need to start figuring out who can buy the business and why. Why would they buy our business?

They need to start figuring out those questions now, not right, well, I'm 54 now and I want to retire when I'm 55. I think I have to figure out now who I'm going to sell this. So, you've got to figure out as early as possible.

Michael: So, looking at this dreadful statistic, 75% never sell, and only a very small percentage get what the owners want. Working with you, you're providing coaching and consulting services, and if I hire you to help me structure my business in a way that even with these statistics, if I'm doing everything right and I've got the margins and the profits and my numbers are better than industry average, do you think there's a good chance of me getting my top dollar or more than what the industry would get even with these dismal numbers?

Harvey: Yes, absolutely, if you've positioned your business, and you do have management, you do have systems, your numbers are higher than the industry average, then yes. You're not reliant on one or two customers. If you're doing those things, then A- you'll be in the 25% who actually sells, that's the first point, and B-you're doing a lot of really pretty cool stuff, so you're going to be pretty close to be getting in the one percent who are achieving a price they're happy with, achieving the maximum price.

Most business owners just aren't there. They're not sure. You don't know what you don't know, and they don't know certain things. They have tremendous anxieties about the whole process, and that's obviously where I come in to ease the anxieties and show them how – they'd been working so hard in their business, and at one level they bring in good money, but well great, but there is a payday, and a big payday. Don't let all the hard work just disappear.

Michael: I know you're working with a high end client. Who should not contact you if they wanted help increasing the value and sell their business at top dollar? Who do you not want to work with, and who should not even bother contacting you?

Harvey: Dreamers.

Michael: What's a dreamer?

Harvey: I don't want to work with dreamers, and I don't want to work with people who are not open and not flexible, they're very narrow thinking. If they think they know it all, then there's absolutely no point in me even talking to them.

Anyone else who is a doer and is sufficiently flexible to know that there is a possibility of learning something from someone else, then I'm happy to talk to those type of guys.

Michael: Are there any types of businesses that you'd rather work with – manufacturing services, or all across the board?

Harvey: No, it's across the board. I'm working on the coaching services, whether it's a speaking business, information business. I recently just spoke to a bunch of dentists. I'm comfortable and my background is in the service environment. I've been a financier in all different environments, so I understand different working environments.

So, business at the end of the day, it's about profit, profit systems, and that's applicable to all businesses.

Michael: You have a DVD that you offer up on your website. If someone were to invest in that, is this going to give someone a good idea of what you're all about, and what can I expect to learn on that?

Harvey: Yes, it gives you good information about some of the topics we've been talking about this evening. It gives you good information about the different strategies, different objectives, talks about profit, talks about negotiations, talks about different levels of timing. It goes into a lot more detail.

It's a great starting point in terms of giving you valuable information and giving you plenty of ideas, plenty of things to think about which you can start to kind of apply to your own business and your own situation.

Michael: Now, you're high end one-on-one coaching. What can a client expect from you?

Harvey: Well, there are different levels really. First of all, there's what I call a three month program, where the client is quite sophisticated. He's pretty close and ready to sell, and he just needs a bit of what I call tweaking. So, it's very intensive over a three month period where we

analyze his business. We do basically a SWOT analysis – strengths, weaknesses, opportunities and threats.

When he's ready to go to the market, I put my buyer's hat on and I really analyze in great detail the business and particularly focusing not necessarily on the strengths, but really focusing on the weaknesses. So, we can really address those weaknesses and either address and do something about them or address them in terms of creating a story, so that when we're going to the market there's a story and the gap is plugged up.

Michael: Is the client working with you only specifically?

Harvey: One on one. It's over a three month. It's coaching, one on one. You hit the phones, one on one over a three month period.

Michael: You get it sold.

Harvey: We get it ready to sell. We get it in a position, so we've gotten rid of all the weaknesses, and we've developed and highlighted the strengths. We've got everything ready to go. So, that's where a business feels that they are in a strong position, but it just needs someone objective to really analyze it before they actually go to the marketplace and really tighten up their procedures, and tighten up what their offering is. That's the first thing.

The second thing is I also offer to one year programs where they are more geared to people who are thinking about selling, and really need to have a greater timeline. So, they're thinking about it, and they want to prepare. They want to do it really from ground zero, and they really want to do it not in a correct way, but in a strategic way. They want to really to understand the process.

We go through the process in detail, and again, we analyze where the business is currently, and then we do a SWOT analysis on it. Then, we're really developing considerable detail where the strengths are, and we really look to build upon those strengths, and we find pretty quickly the other strengths and other unexploited opportunities so we can really layer those strengths and bring in new strengths.

Then, of course, we also have greater time to take the weaknesses of the business, every business has weaknesses, so we've got greater time over that year to actually strategize and try to implement and try to deal with those weaknesses. Really, it's that time plugging them up.

Again, we really analyze the opportunities that are open not only to the person running the business, but one thing that people forget is that when you sell a business, you've always got to try and sell on a high, but you've also got to sell and show the buyer that there is more money to be made.

If you're selling a business of five million, you've also got to show the buyer that in three to five years time he can sell for ten million. So, you've got to leave stuff there for the buyer to do. Analyze the opportunities for any perspective buyer.

Finally, on the threats, we just make sure kind of the external environment, government legislation and things. We just make sure that the business is protected as much as it can be in terms of any external factors.

I offer two programs. Either we do it once a week over a year, or once every two weeks. So, again, it's done one-on-one.

Michael: But, by the phone, right?

Harvey: Yes, done by the phone, except for that program, the one-one-one, the very high-end, I would go out to the client and spend the day with the client right at the very beginning just to set the ball rolling.

Michael: What happens if, let's say a client approaches you and he's got a business that's doing okay, mediocre. Let's say a little bit below or average for the industry, and they've been in business for let's say ten years. You come along. You work with them for a year. You get the numbers up. You get the margins up, and stuff, but when it's time to sell and you get an evaluation done, aren't they looking at averages for the last three to five years. If you've got a big jump on the last year, how does that affect it when you average out?

Harvey: That's a good question. The answer to the question is, look, if you've got numbers year on year, you've got three years trading history, and each year your revenues go up and your profit and the curve is still rising, obviously that's an ideal. If you've got numbers where you've got two years where the numbers either plateau or they're okay, and then you've got a final set of numbers which show an increase, then of course, the chances are first of all you're selling at a higher number than if you would if it was three years of the same numbers.

Obviously, you're not necessarily going to get as much as if you had three years rising figures, but again, it's how you package and how you

present that information to a perspective buyer. One with very careful and very clever presentation skills, you could still achieve a very good number even if it wasn't the full three years, you only had on year jump. If they could at least see on year's jump, then like I spoke about earlier on, you could then present to them, "If you did these three things, those numbers will continue to increase and your business today is worth five millions, but over the next three years, if you did these next five steps, then the business will be worth eight million or nine million or whatever." So, it's how you present the package to the perspective buyer that is critical.

Michael: Let me ask you this. So, when you're selling, and just go with me on this, let's say I'm interested in your business, the ten million dollar business. I would assume, or maybe you have a strategy that when you're selling your business and you're going for your exit strategy, you're selling people who cashed up with the money rather than someone who doesn't have the money, and they're going to have to take the numbers to the bank. The bank's going to look at it and say, "Well, this business is only worth this. I can loan you this on it."

You being the financier, does this marketing assets carry any weight for getting the money?

Harvey: If there's not a cash flow, there's two things banks look at. The first thing they look at is freeholds and the value and stuff like that. The other thing that banks look at is strong cash flow. If there's strong cash flow, strong revenues and strong cash flows and profits, then obviously there are other factors in terms of the individual or the management fee.

There's a whole set of variables why the bank will invest or they won't invest. Again, and this comes back to some of the things that I spoke about earlier on is if they can see that the business is strong cash flow, strong profits, there's a clear differentiation, there's a reasonable management team, there is systems, then a bank obviously is going to look at that business in an extremely positive way, and they what percentage. It will vary, but they will still lend on it.

If the business is reliant exclusively on the owner, there's very little poor systems, it's relying on one or two customers, then clearly in that situation, it's going to be very difficult to get financing.

So, it depends upon A- the quality of the individual or the company or the management team buying the business, and B- it's the quality of the business that's being bought.

Michael: When you meet with potential clients who have businesses and they want to sell, let's say I wanted to sell my business, and I understand you'll do a consultation with someone who's got a legitimate business, and they're interested in possibly selling it, what information do you need to kind of get an evaluation? Do you need to spend time on the phone with them?

Harvey: Yes, initially, I'd just spend a half an hour and chat with them on the phone, and then what I would do is then I would send a number of forms to fill in which would give me an idea of where that business was, the strengths, the weaknesses, the opportunities and threats in that business. It would give me really a good idea of what that business is worth and what the upside was, and how much was going to be involved in moving the business on from five mill to six mill, or one mill to two mill, or whatever the numbers were.

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