How To Increase The Value Of Your Business

With Gary Bernier, Stephen Semple and Walter Bergeron

Gary Bernier: *Welcome! It's Gary Bernier and Stephen Semple, and we are super excited to be here today with Walter Bergeron.*

Walter started his entrepreneurial journey when he was 12 years old, detailing cars in his parents' driveway. That was over three decades ago. He has built up -- and sold -- six different businesses. His latest business he sold for over $10 million. This, in my books, makes him a serial entrepreneur.

One of the things that Walter has done that makes him one of those people I just love talking to, is he became Marketer of the Year with an organization called GKIC, and on top of that, he's a three-time bestselling author.

His newest bestselling book, Eight Figure Exit Formula, shows other entrepreneurs how to exponentially build their business through acquisitions, and then sell their business over and over. And that's what we're here to talk to Walter about today, is selling your business and increasing the value of your business.

So Walter, thank you very much for taking the time to talk with us today!

Walter Bergeron: It's my pleasure, guys! I certainly appreciate this. Gary and Steve, when you guys called a while back and asked me to do this, I was super excited about doing this.

And just for your listening audience, yes, I probably do have a little bit of an accent, because [Laughter] I'm from Deep South Louisiana, so if I sound strange, my apologies. You have to have an interpreter, maybe, to figure out what I'm talking about, but I'm happy to share everything I've got with you guys.

Gary: *Well, that's okay. We'll make sure we get the transcript done, too.*

Walter: [Laughter] Good.

Gary: *We'll subtitle this audio. There we go. [Laughter]*

Walter: Yeah, yeah, there we go! Okay, I appreciate that. Thanks so much. [Laughter]

Gary: *So Walter, what's the biggest thing that you've learned about selling a business in all these years?*

Walter: [Laughter] The one big thing, right? Well, that's a tough one. You know, I really think it's all about preparation. I see so often that business owners get to the point where they need to sell a business, and they haven't prepared in any way, shape, or form.

So I guess the biggest one thing, if there was one big thing, was to prepare for it and not wait until the last minute to do this, that this is not something that just happens overnight, but on the other side, it's not some huge, daunting task.

It's just like any other part of your business. You have to plan what you're going to do and then execute that plan, but waiting until the last minute is probably the least profitable way to sell the business. You're going to leave a lot of money on the table, and you may come to the point where you can't sell the thing at all.

So I think that's really one of the biggest things, is preparation.

Gary: *Well, and hopefully the people listening to this are just like me when I had one of my other businesses, before I sold it, that was. I want to learn as much about selling my business and getting as much for it as possible, and as you say, getting that preparation done, or taking those baby steps along the way to increase that value.*

Walter: The preparation's all about making sure that you get the highest value you can when you come to sell it.

So you don't have to prepare, Gary. I mean, you know you can deal with no preparation whatsoever, but you are going to leave a ton of money on the table, and the fact is that you may also, if it's done incorrectly, you may wind up having a failed sale after it's all closed.

And I say that because I've seen it a number of times where no preparation results in a deal that's closed that will never succeed, because once the deal is closed, there's a whole lot of things that have to happen afterwards. There are warranties and representations.

In many cases, there is some type of a payment plan, where the owner finances part of the deal, and if the buyer can't afford to pay that note to the owner, then this deal's going to fail and the owner's going to have to wind up coming back to a business that's in way worse shape than when they sold it.

This preparation is really huge, but it doesn't have to be this really, really huge, daunting task. If you start early enough in your business building process to start preparing for the sale…

Because let's face it. At some point, we've all got to get out of the business. There's no way for us to run this thing perpetually, we've got to get out some kind of way. [Laughter] You know, whether that's for health reasons, for financial reasons, for some reason, we're going to get out.

So we all have to prepare for that exit, and the way we prepare sets up how we exit and at what amount we exit the business with.

Gary: *Super. Well, you know, that's why I was interested, and I want to get the maximum check, not the minimum check.*

Walter: Yeah.

Gary: *And like you say, there are a lot of little factors that kick in there. So what should somebody do in preparing their business for sale? What are some of the basic steps that they should do?*

Walter: Again, it depends on how much you want to sell it for. So most business owners want to sell for the highest price they can, and I say "most" because not all want to do that.

Some simply want to take their business and pass it on to an employee, maybe pass it on to a family member, and they're happy to get whatever they can because their interest is not to collect this big check, their interest is to pass it on to someone else.

But if you're trying to collect the highest amount, I would say finding the right way to sell the business is the biggest part of this, and the right way comes down to who you want to sell it to and what problems you solve for that kind of a buyer.

So to get maximum price, if you're going to sell it to a financial buyer, someone who simply wants to buy your company to generate a monthly cash flow, well then, your preparation needs to follow what that buyer's needs are.

This would probably be making sure that you have the highest profit level that you can, making sure that someone can very easily come in, step into your role as the CEO, and very easily just start operating the company on its own, without any kind of training or without any kind of large training endeavors, without any kind of way that they have to start reinventing the way the business is run.

So you automate the business as much as possible and you maximize profit levels so the financial buyer can very easily step in, but if you were to try to sell it for the maximum price, you need to solve the biggest problem.

And the way to sell that, or the way to maximize that price is to sell to someone called the "strategic buyer," meaning someone who has a big problem that you can solve, and someone who has the ability to pay you top dollar for the business and to take your business to a much, much higher level.

The very last company I sold, I walked away from that deal, thinking, "Man, I just got away with…" what I thought was like murder. I mean, I thought I really got away with something, like,

"There's no way these guys are going to pay me this much for this company. You know, something's going to go wrong here, I just got away with something!" and I felt like I got away with a crime, almost.

But what I found out was that after that deal was done, these guys really knew what they were doing, because they were able to take that $10 million sale, and within two years, turn it into $50 million.

It was because they knew what they were doing after the sale was going on, and so preparing the business for a buyer like that enables you to almost get away with any price for your business, because of who you sell it to, and the reasons you're selling it to them for, and the problems that you're solving for them.

So in my case, I was able to sell it to a strategic buyer who was not in the exact same business I was. Gary, that last company I sold, we repaired industrial electronic control systems.

We fixed circuit boards for large manufacturing plants, and the buyer, they didn't do exactly what we did, but they did something complementary. They had the same types of customers that we had, and they did mechanical repairs.

What wound up happening was that we were a value-added service to their portfolio, but what they did was they took our services and added it to all of their much, much larger customer base, and they were able to realize a much, much higher profit potential than I ever could because I was much smaller than them.

And I solved a really big problem for them, because -- and I think we're getting to that here in a second -- was because our marketing system that we had in place was unique and different, and much more efficient than what they already had.

So not only did they buy my company to add another value-added service to their customer base, but it also added a whole new way to market to their customer base.

So they were able to scale both my services and the marketing systems we had into their much larger customer base, and realize this huge potential within a really short period of time. And so it's really important to decide first who you want to sell it to and how you want to exit.

Again, like I mentioned, if you just want to give it to an employee or family member, that's fairly easy to pass it off on to someone. If you want to sell it for the standard industry multiple and give it to a financial buyer, well then, you prepare the business for that financial buyer.

But if you want to sell it to someone for the maximum price, you need to be able to show them how they can take what you already have and scale it to a much, much higher level, and thereby getting you the maximum price for the business and almost making any price they pay you a real bargain because they're going to take it to a much, much higher level.

And so I think that's a really long answer to a pretty short question. [Laughter] Sorry about that.

Gary: *No, it's super, Walter. I mean, I was making notes and, you know, I just want to recap some of the things that I heard there, and the "who is buying your business" is one of the first things to think about.*

I think that's a step that people often overlook, and they don't realize somebody they may look at as a competitor, or somebody they may look at as a vendor or supplier may be looking to -- as you said -- grow their business in a different direction or add something onto their business.

And for them, it's a strategic acquisition because they're trying to grow their business and they see that buying something else immediately gives them that quick bump.

And then, like you said, if they can add the multiplier on it because they've got a larger customer base, they've got money to invest, whatever it is, they can see that exponential growth that you talked about.

And the one acquisition I've been involved in, that was exactly what we did. We bought another company, and immediately folded in that customer base and picked up a little bit of technology, but we've been able to leverage both to grow the business.

Thinking about it from the buyer perspective, the "who's buying you, why would they buy you," that's a fantastic thing to sit down and consider who would do that. Because I think a lot of people don't think about that until, as you said, it's too late. That's one of those preparation steps.

Walter: Yeah, and the word "plan" and the word "strategy" are really, really important here because it's not like these things just happen, and it does take some preparation to do this.

And as you mentioned that with your business, that you were able to take it and fold it in and get yourself some strategic assets, because there's probably no way you could've as easily or as quickly acquired the size of customer base that you did when you made that acquisition.

By doing it organically, just through standard marketing principles, you may not have been able to do it as quickly, but by buying another company and expanding through acquisitions, you were able to almost instantly get a great relationship with all of those customers because of the relationship that the people that you bought had, and so that plan is huge.

And the other side to plan is that you don't have to go and find a buyer who already knows how to do this. The great thing about the marketing and the sales portion of this is that if you're good at marketing, you can actually show the buyer how this works for them.

So take, for instance, if you identified someone in your industry who has the same types of clients that you do, who's a complementary business, but they don't know about this type of exponential growth by buying you out and folding in your customer base, and any of your other strategic assets.

They're not exactly sure how to do that. The beauty of this is that once you identify this buyer, you can show them how this works and how, by acquiring your company, they can do exactly what we're talking about.

And once they see this, it starts to make sense. It opens their eyes to realize that this has a huge potential for them. It's not an expense, it's an investment in their future and a way for them to grow exponentially, really, really quickly.

So by having a great marketing system, a great marketing background, knowing how to do things like write copy and understand what the buyer's needs are, you can very easily sell your business somewhat like you sell the products or services that you offer.

So knowing these foundational marketing principles applies even to the higher level of selling the business for millions and millions of dollars.

Stephen Semple: *So Walter, I find this fascinating. I come from a finance background, I used to work as a portfolio manager. I was with one of the big banks here in Canada, and I find this a really interesting concept where you're talking about your marketing actually being an asset.*

You know, we're so used to looking at it as being an expense item, so used to looking at it as being just something that you've got to do to acquire clients and grow. But what you're saying is that if you do it correctly and if it's strategic in nature, that this is actually an asset that a buyer will acquire.

Walter: Yeah, I think of it as… so if I were to step back and look at my previous company, which was electronic repairs -- fixing those circuit boards -- and for someone to acquire that company, they would buy my equipment, my location, the people, the personnel.

And all they'll be able to do is to take that service and they would have to, much more slowly, ramp up that service. They would have to either… if they wanted to grow that service by two times that amount, they are going to have to get a bigger facility, hire more employees, get more equipment.

So it's transferrable to the new owner, but not nearly as quickly, and that is considered an asset all day long. Everyone can understand that, yeah, that's what you're buying, that's the asset in the business.

They don't look at marketing as an asset, but they could look at it this way. Marketing, the ability to sell your products and services to your customers, is very easily transferrable.

I don't have to have a bunch more employees, a bigger location, a ton more vendors, a lot more expense to take one marketing system for my electronic repair business and scale that up to this buyer who purchased me -- who's 10 times larger than I am -- very, very quickly.

They can do it very easily, because all it is is the message and knowing how to match that message to the market, and it's very easy to transfer that asset to the new business way faster than they could with my actual services that we provided.

So not only is it an asset, it's a much, much easier, transferrable asset to the owner, and quite frankly, it's much more powerful.

Because my electronic repair services, while they could very easily take that repair service and offer it to all their customers, with the marketing skills, not only can they market my electronic repair services, they can also use that marketing system to market better their mechanical services.

Plus, if they acquired any other businesses or added any other services to their customer list, they could use the marketing to ramp up the sale of all of those additional services. So the marketing is transferrable to the owner, but it's also transferrable to any other products and services they offer now and in the future.

So it's overlooked, and it's a huge detriment to the seller to overlook that as an asset because it's so much easily transferrable in a bunch of different ways, and not just from one owner to the next, but also long term, and it can scale up a whole lot more quickly and more inexpensively than any other service that you can offer.

Stephen: *Another question I have for you is, you keep referring to a marketing system. So what's the difference between what most companies do in terms of marketing and having a marketing system, in your mind?*

Walter: It's like day and night. I mean… [Laughter] I think it's completely different.

So most business owners look at marketing as picking a media. So to them, marketing is, "I'm going to go and put an ad on a billboard," or "I'm going to go and do a Facebook ad," or "I'm going to go and do a newspaper ad." That is simply placing… that's a media type. That's not a marketing system.

The marketing system would be, take for instance, if your… I have a client right now who owns a gym, a female gym, and what she's done is she's purchased multiple billboards along the route that her customers take to work every day, so they see her message as they're driving.

Now, that may sound like just picking a media, but at the same time they're driving, she has a radio ad going on at the very, very same time period that they're driving to work, so not only are they seeing her message, but they're hearing it on the radio.

As they approach her gym, she's got another big sign that says, "Stop Here," and she's got a call to action, and she's got a phone number that they can call. At that point, they receive another message and they can possibly stop by.

When they walk in the door, they receive a welcome package as a potential new prospect, and so the marketing as a system is not just one small piece. It's an entire process that goes from capturing your new potential contacts' or your new potential customers' attention, and bringing it all the way to the sales process.

So it's not just one or two small pieces, it's an entire process that goes into converting that prospect into a customer.

Gary: *That was a fantastic answer, Walter, and I loved the description of what we call the "media first problem," where…*

Walter: Yeah. [Laughter]

Gary: *You go out and buy a piece of media, whether that is the billboard, whether that is the radio, or just about any of the other media that are out there.*

And that's advertising, sort of, versus marketing or building a marketing system, where what you were talking about was capturing the interest, moving the person along the process, in the door, and it continues the minute they get in the door and feeds the sales process.

How important is it to have a documented and consistent sales process to go along with your marketing system?

Walter: Well, I am getting this goes like this, you know, marketing versus the marketing system. It's night and day, so if we take that example that I just mentioned, if this female gym owner was to do this just one time and had no documented system, she will have no idea whether it was effective or not.

But by having it documented, she'll be able to not only realize that it works, but she'll know what percentage that works, and she will also know that if she makes any changes to that system, how it affects that.

So what she may do is if this is a documented system, she would know that anyone coming to her business during a certain time of day has seen all these messages.

So she'll be able to document the change from before she had the system, to after she had the system. So she'll know maybe she got another 25 visitors who came in because of this, so she can record that and know that this system was effective.

Then, when it comes time to buy more radio ads or more billboard signs, if she changes that message and now she's got 50 customers coming in, well, she knows that by changing that message, it increased her response by another 100 percent.

So she knows by documenting the process how it changed it, but she also knows that if she adds something to the system, that it may have changed, as well.

So the documentation is important, but also as important is recording your numbers and your results, because in order for this to become a system, there's got to be some way to track the results, and that's a big part of the system that's typically missed, is the tracking the results of what you've documented.

Gary: *Absolutely. We call that "the measurement component," and measuring how many eyeballs saw your billboard's a little bit challenging, but how many people called in, how many people came through the door, how many people mentioned the billboard, how many people mentioned the radio ad or any of the other media placements.*

As you said, once you've got a baseline in place for measurement, then you're able to make changes and see how that change positively or negatively affected your baseline numbers.

And, you know, we'd love it if everything we did moved it in a positive direction, but every once in a while you make a mistake, it goes in the other direction.

Walter: Right. [Laughter]

Gary: *But the only way you know that is that you've got that baseline metrics established, so you know… you and I would refer to this as your "cost of acquisition" for a new customer. How much money did we spend in marketing to acquire that new customer?*

And then, how long do we have that customer in the business, we refer to as the "lifetime value," and if the lifetime value is greatly exceeding your acquisition cost, you can run that system over and over again. Right?

Walter: Yeah, you made a huge point that we touched on acquiring customers and knowing when they come in, and all those details.

But the bigger numbers, like you said, lifetime client value and customer acquisition cost, those are huge things because they can also dictate what type of media you can purchase, how long you can run that media for, and what other media might be just as effective.

So knowing that little example we talked about there, if the gym owner knows that even if she continues doing this, and she's getting 25 new clients a month, but this is costing her the equivalent of a hundred clients a month, it will never pay her to continue doing this.

So she has to change it some other way to make the numbers work out, whether that is a bigger backend sale, or a longer lifetime client value, or maybe it's even a loss. So it just depends on the numbers, and the numbers are really important.

So I guess what I'm really trying to say is that, yeah, it's so much more than just documenting what you do, just documenting that you have a billboard and, "Here's what it says." You really need to get a whole lot deeper than just that.

It needs to be a little more complex, a little more sophisticated, and tracking those numbers that you just mentioned, plus a good number of other traceable and trackable numbers are really important for the whole marketing system. You can't just wing it. You must know exactly what you're doing with the entire system.

Stephen: *Walter, I take it that goes back to this whole point of preparation that you've talked about, and also in terms of spending some time preparing before selling.*

So one of the things I'm learning from you here is that one of your recommendations is that, as part of the preparation, you want to actually be documenting your marketing process -- what worked, what hasn't worked, what the metrics and all of those things are -- and documenting them not only from the value of,

"Hey, this helps us learn what we should do more of and less of," but this documentation is also part of what goes into that preparation and really makes your marketing much more of an asset. Is that one of the things you're recommending?

Walter: Oh, yeah. So you brought up a great point, Stephen, was the stuff that doesn't work.

That's huge. That, right there, can pay for some of this acquisition cost [Laughter] when you go to sell the business, because knowing where not to spend money, or knowing what does not work in your industry or for your customers is of tremendous value.

Because as we all know, you can spend a whole lot of money in advertising, and marketing, and messages, and all these things, and ad spend and media spend. You can very quickly outspend your budget in a heartbeat.

It's very easy to do that, but if you knew what doesn't work, you would know where not to spend it, and that will allow you to focus on where it is more important. And that's part of what makes the marketing system a huge asset, is knowing exactly where to spend the money.

You know that old saying, that the plumber goes to your house and walks up to your pipes, and taps one pipe with a hammer, and hands you a bill for $500, and the owner says,

“Well, why did you charge me $500? All you did is walk up here and touch my pipe with this hammer. It took you five minutes to do that,” and he says, “Yeah, the hammer’s five bucks, but it’s $495 to know where to hit it.”

So the true value is knowing exactly what marketing works and what marketing does not work, because you can spend a whole lot in the wrong places and never have this effective.

Part of the strategy behind the people who bought my last company was knowing that… what they did is they paid me for experimenting, for finding all the problems and figuring out where the things were that they had to avoid.

They purchased me, all they did is they got the gold stuff, which was where to spend the money and how to communicate with this audience, because what they were doing previously was not working in all the areas that they wanted to work in.

By buying my company, they actually got all this data and they wound up with a system that was proven to work, and how to communicate with those customers, and how to convert those prospects into paying customers.

All they had to do then was to plug in their customer list -- so their large reach -- and leverage what I had done to a much, much higher degree. Again, you mentioned earlier, Stephen, about assets. That asset is way more leverageable, way more valuable.

That marketing asset is so much more to a company that’s going to buy you than any other asset of a new service or a new product line could ever be, because it can transfer, again, like I said, so quickly and so easily, and transfer to many, many more product lines amongst the buyer’s business.

Gary: *Walter, awesome. [Laughter] I was sitting here and I’m going, “I hope the people are paying attention. You know, I hope they pay attention the next time they watch Shark Tank.”*

Because every time you watch that show, you’re seeing five or six seasoned buyers go through their list of questions, and what you just said, it really doesn’t matter about the product or the product line. So they get fed all those people all night long, and their questions are,

“What are your sales? What’s your cost of acquisition? What do you expect your sales growth to be, and can I plug you into my business and explode you?” Right?

“So what leverageable assets have you got that I can fold into my businesses and blow the heck up?” So that… what we’ve been talking about, you see that every week on that show. That’s what they’re looking for, all of this formula.

So Walter, the one piece about a marketing system we haven’t touched on yet that I think is important, we’ve talked about metrics and cost of acquisition and having a system, but we haven’t sort of touched on the automation aspect of it.

We sort of haven't… I think people, again, are so used to what their media buyer or what their media seller is telling them. "Oh my… you know, you should do billboards. Billboards are the best," or, "You should do radio. Radio's the best," and then they're like, "How do I do all this stuff?"

So talk about how the automation fits into that concept of a marketing system and really where that, again, pumps up the value in the business.

Walter: Well, yes, so I've always considered the automation system, whether that's an automation software you use, or just automated documentation you use. In this day and age, I don't see how you can actually operate a business without having some kind of an automation software on the backbone of this.

In all of my businesses I've used a software called Infusionsoft, and so that type of software automates the entire backend of the process. So we talked about like billboards, and radio ads, and responses, and lifetime customer value. All those things can very easily be plugged into a software like Infusionsoft and allow the process to be automated.

If we go back to the example of the female gym, so when people drive past and see the ad, the call to action may be to call the phone number.

The automation software can allow you to track how many phone calls you get, what the results were from those phone calls, and plug that into your number so you can know what's being effective and what's not being effective.

The other side of Infusionsoft I love is that it incorporates the online and offline media, meaning that it can do the email blasts and do the email responses and forms, and the Web sites, and landing pages, and all that online. But it can also do the offline stuff, such as faxes, and phone messaging, and a lot of other different media.

By having it all in one place, it allows you to track all those numbers and see what's being most effective for you and what's not, and not that you would stop doing what's not as effective, but it will allow you to see which ones are supporting the operation in different ways.

The other thing it allows you to do is, we talk about documentation. The software like this, an automation software like Infusionsoft, allows you to also document how you do what you do.

It also allows you to put training videos and training documentation in there so that your employees can start to operate this for you, and that you as the business owner get to start the system, get to start the marketing process.

But as you find that thing to become more effective and you want to kind of automate these into your process, so that you can hand this system off to an employee and allow them to start running it for you, and you can go and move on to working on another part of your business.

The system like Infusionsoft will allow you to do those things and put everything into one place that it can all be operated, and it can be all operated by an employee. That way, you can move on to other things within the business.

Gary: *Super. Great, great answer. Yeah, creating scalability through the system, right?*

I think a lot people get caught up in, "How am I going to do all of these things? How, you know, how am I going to track all of this stuff?" And the answer is, you're not going to do that. There's going to be a system in the back end that's going to keep track of the metrics.

That's when the real power comes in. As you said, that's when you get to play business owner instead of doer. You're not putting little entries into a spreadsheet. You're pressing a button and getting a report, and you're looking at your business from a higher level.

Now, we both know you've got to grow your business, which means, yeah, there are times when you're desperately working on the follow-up systems and the lead capture, and making sure that everybody who comes through the door, you've got the information you need to follow up with them, which I see so many businesses missing out on that part of the system alone, right?

Walter: Yes.

Gary: *But it's an ongoing process to build this stuff up -- and thank you for that -- but in behind your marketing and sales system, there should probably be some software to do a lot of this tracking and management and communication for it to automate it, to give you that scalability.*

Walter: Yeah, and you say the word "automated," but it doesn't start off as being automated. There's got to be a point where… and I've done it in all of my businesses, where I've actually done the initial learning curve or the initial portion of this.

Like when we started doing Facebook ads, take for instance. I actually did some of that on my own so I could learn exactly how that process starts, how it works.

And so I had a little bit of a knowledge on what it could possibly do, and then to be able to put it into Infusionsoft, allow it to do its thing on its own and automate it, and then be able to hand it off to an employee so I can move on to something else.

But it tends to always start with the owner doing, being the one who's working in that part of the business and doing that, and then being able to hand it off.

I don't always recommend simply handing off your entire system to someone else, to start with, and blindly giving it to them and allowing them to take it over. I would always say be involved in it in some way. If it's a skill you don't have, at least be involved in the process and the tracking of the numbers of the results.

If you don't know how to do, I don't know, SEO or Web site design, and have to hand those things off to someone else, at least be aware of what they're doing or why they're doing it, and knowing that there's got to be some trackable results from what they're doing for you.

That kind of goes back to the automation process, the documentation, and the software. So if you have Infusionsoft or a backbone software like that, you need to have the numbers that any of your other vendors are doing, or any of the other results that another vendor's doing.

You need to have that feeding into Infusionsoft so that you can track those numbers and track those results, because if you can't track it, there's no real reason to do it.

It won't help you grow your business if you don't know what's going on with that software, or with that media or that marketing system that you're placing in someone else's hands.

Gary: *Super. Walter, to get back to sort of business evaluation and increasing value in your business -- and I know we're getting lots of great marketing stuff -- what is one of the biggest mistakes that you see business owners making today when they sort of come to you and say,*

"Hey, I want to sell my business. Walter, help me sell my business." When you start, you know, you sign the NDA so that you can actually pull back the covers a little bit, see what's under there, what are the big mistakes that you see right off the bat where you might say to the person,

"You're not ready yet. You need to go back and do this." What are you seeing as the big glaring ones that continue to pop up over and over again?

Walter: I think the first one that comes up usually is, when they think about selling their business, their first question is typically, "What's my business worth? What's the value of it?"

And it sounds like a copout, it sounds like a terrible answer, [Laughter] but the business is really worth what someone's going to pay you for it, and that is tremendously dependent on who you're selling it to and what problems you solve for that buyer.

So when someone's interested in selling their business, they're thinking about, "Well, what am I going to get for it?" Well, that depends on who you're going to sell it to, and so I typically try to spin it around for people I work with.

It's not, "What's the business worth?" The question should be, "What do you need from that business to realize whatever goals you have?" And so if the goal is to retire and never work again, well, work backwards from that number.

Maybe it's $10 million, and then you know you have to live off of four percent of that number and that's $400,000 a year, and maybe you have expenses and you figure out the number, but you work backwards from what you need, and then what you do is that helps you decide how you need to sell the business.

But if you simply start with, "Well, the business is doing $1 million a year and it's 10 percent profit, so it's $100,000." The standard industry multiple in my industry is three, the business is worth $300,000. So I can't sell it because there's not enough money there to sell it for, it won't reach my goals.

Or I'll just continue to work in and build it up bigger until it does reach those goals, but if you approach it from, "Well, I need $10 million. I've got a business doing $1 million. How do I make those two numbers match up?" and that comes into, "Well, I've got to find a buyer who can value this business at $10 million so that I can sell it for that amount."

That starts you on the right path of finding the right strategic assets that exist in your business to make it worth that much money to that exact buyer, and then you go find a buyer to pay you for that, and it really is just about as simple as that.

Don't reactively wait for someone to come and make you an offer. As a business owner, you can proactively go out and seek the right buyers, and then do what we talked about earlier with your marketing skills by formulating a message that matches what the buyer can do with your business and make it worth that $10 million that you're looking for.

Work backwards a little bit. First start off with what you need, and then make the business worth that much by showing the buyer how it can be worth that much to them.

Gary: *Walter, I hope people were taking notes, and if they were going to back up and rewind, and listen to any part of this interview a second time, it would be that.*

I'm going to recap it for them, because you gave out two great pieces of information in there, the first one being, people would typically say, "You have to plan your exit strategy for your business. You have to plan the sale of your… like you need to know how you're getting out of the business."

Like you say, you can't just show up one day and say, "Okay, I want to sell my business and it's going to happen the next day." So that visioning exercise that you just took people through to see their exit, to be able to visualize somebody else coming along, acquiring them, folding them in -- if that's the strategy, right -- was fantastic.

There's a great way for people to sort of think about when people say, "Plan the exit." The other part that you put in there was, you totally talked about the lowest price you could get for your business, which is the straight financial purchase where you find out your assets are worth pennies on the dollar.

It doesn't matter how nice your carpet is, how nice the sign you've got in front of the building is, none of that stuff really matters. It all gets discounted, like you were taking your business out to a garage sale at the time of purchase.

Thank you for sharing that with them, and the last tip that was in there, if you were really paying attention, was Walter's saying when you get ready to sell your business, you have to turn around and market and sell your business to those potential buyers.

You need your "who." It can't be one person, it has to be a list because, Walter, I bet you'd want to create a little bit of a feeding frenzy. Would that be correct?

Walter: Oh, yeah, if you can get more than one buyer coming in to you, absolutely that's helpful. That drives up the price. There are a couple of things that drive the price, but that is certainly one of them.

And you mentioned, Gary, really quick, you said that you're using the marketing to go out and find the buyers, and you'll see it within other people's businesses that there is, without a marketing system, without marketing period, there's this "wait for customers" approach, where you wait for customers to walk in the door.

Simply because, you know, you hung your shingle out and you're now in business, you expect people to come in the door, and that you know doesn't happen. That's the same thing when you go to sell the entire business itself. You don't just put it up for sale and expect buyers to come to you. You have to go out there and seek them out proactively.

It's the same exact approach, and the skills you learn from marketing to sell your products and services directly translate and directly apply to when you go to sell your business itself, and they're truly powerful and they're worth their weight in gold when it comes to selling your company.

Gary: *Walter, how do you take a six-figure business and turn it into an eight-figure empire in 24 months? This is one of the things that you kind of help people with, so that's kind of like, take a million dollar business and grow it like crazy in 24 months. How does that happen?*

Walter: It happens by using the most powerful tools you can and stacking them on top of each other. It's a process I call "growth stacking." So if you're to use your marketing skills and turn that into a system, that may grow your business and that's called "organic growth."

This would mean that maybe you grow the business by five, 10, 15, 20 percent per year, because you're doing great marketing, you're offering great services, and that is a fantastic place to start.

As a matter of fact, that's the foundation to all business growth, is that marketing system in place, and operated, and growing the business by a few percentage points every single year. But if you were also take a highly leverageable method of growth, which you see all the time with these large mega corporations…

They're doing acquisitions. They're buying other companies that already have an established relationship with customers, and they're plugging that into their business to grow by multiples of two, three, four, five times their initial size.

If you're doing a million dollars a year and you've got a great marketing system in place that's working for you, growing you a 10 or 15 or 20 percent a year, and then you add on top of that acquiring other companies, and then automatically introducing another doubling of your customer base every time you acquire another company, you could very easily double the size of your business overnight.

You're doing a million dollars a year, you go out and you buy another company that's doing, let's say, a million dollars a year. Well, overnight, you now become a $2 million company.

Now, I know it's a little bit easier said than done, and there are some ways to do this. There are actually ways to do this and go out and buy another company that doesn't cost you anything, that actually puts money in your pocket, but I know that's a little bit beyond the scope of this call.

But you go out and acquire another company, roughly the same size or smaller than you are, and you double the size of your business overnight. Then what you do is you add what's called the "cross-marketing multiplier," meaning that you didn't go and buy a business that did exactly what you did. You went out and bought a business that complemented what you do.

You take your services and you offer your services to that brand new customer base that you just purchased. Well, that, right there, can very easily double the size of your business once again, or add another multiple of the size of your business once again.

Your $1 million business became a $2 million business by acquiring another company, and your $2 million business became a $3 million business because you took your services and offered it to that brand new customer base that you just purchased.

Then, if you take the services of the company you just bought and you offer those services to your customers, now you just added yet another multiple on top of that. So your $1 million business can become a $4 million business.

Now, it's not overnight. It does take time to market your services to those new customers and get your customers using those new services of the company you've just bought, but that's why the 24 months is in there.

Any business, and most of the ones I've worked with, we can do it in less than 12 because we've got the foundation of a great marketing system already in place. And then the fifth way to do this would be to take the two companies and get rid of any excess.

If you bought a company that already has a duplicate human resources department, or a duplicate sales staff, or a duplicate location, you can get rid of any of the excess capacity or any of the excess in the business and only keep the best of the best parts of both businesses.

The single entity that arises from that acquisition is now a much leaner, much stronger, much better performing company, and that can add yet another multiple to the deal.

Your $1 million company can become a $5 million company by leveraging all the assets it has and by using the most powerful business growth tools, which one of those is the acquisition process.

But it all starts with the foundation of having a good marketing plan and a good marketing system in place, and I know what the time of the year right now where you should be also planning that entire marketing 12 month calendar for the next year, so you certainly should have that in place.

That will be the foundation to that entire marketing system. So I hope I answered the question, but that's how you can take a business that's doing $1 million and turn it into $5 million very, very quickly, way faster, typically, than any kind of organic growth could possibly do.

Stephen: *Now, Walter, the moment that you said "marketing calendar," I know Gary's going to want to talk to you a little bit about that.*

But you know what? What you're saying is incredibly exciting for small and midsize businesses, because this is what Wall Street and here in Canada, Bay Street, has been doing for decades and decades and decades, that have made the wealthy super wealthy.

Like what you're doing is tried, proven, tested and has been done over, and over, and over, and over again by the big guys, over and over again by the Ciscos and Microsofts and Apples of the world.

It's really exciting to see that somebody has taken that and figured out how to apply it to Main Street businesses so that they have that opportunity to build that type of wealth.

I really commend you for that, and what I really suggest to the listeners to think about is that this is how the big guys have been doing it for decades, and that's how they've amassed super wealth. So, you know, kudos. I'm glad to hear that this is now available for Main Street businesses.

Walter: Yeah, I mean, the bigger companies have set a model for us to use. This is exactly what they're doing, just like you said, and they've shown us all the problematic parts of this. We just avoid those things and now we scale it to businesses of our size.

And actually, it's easier for the smaller companies like us to do this because we don't have to go through things like these huge boards of directors, or when you deal with a public company, you've got to get all sorts of permissions and government organizations have to get involved.

Heck, you can do this sitting at lunch one day on a Friday, you can get a deal done. It doesn't take… it's not this huge endeavor to do this. These are things that can be done quickly and easily. You just have to know what kind of questions to ask and what kind of businesses to look for.

It's not this overwhelming process, and it looks intimidating from the outside. Look, I get that, it looks like, "Wow, I could never think about going out and buying another company." Yes, you can. I promise you that any business owner can do this if they set their mind to it.

It's not this huge endeavor, it's a personal relationship between you and another business owner, and you guys can work this out and make sure that it works for both of you and get this kind of going for your business. It's not that complicated.

Gary: *Walter, I'm going to ask you a question, but it's probably in the mind of the audience listening to this: "Do I have to have the cash on hand to go out and acquire this other business?"*

What I mean by that is, typically the business owner will look at that business they'd like to acquire. They put a mental number on that business, and then they go, "I don't have that much money in the bank. How could I ever do that?"

What should they change in their thinking, and how can that be executed without having a bank account full of cash?

Walter: Oh, yeah, absolutely. That's probably the best way to do that because -- I know it seems silly to say this -- but money is the easiest asset to get a hold of.

There are places where you can get money very, very inexpensively. Money's not the biggest barrier to this. The biggest barrier to this is that you need to find the right business to do this, because you can pour all the money in the world at it and you can lose it all very easily.

It's better if you don't have the money, in my opinion, because it forces you to look at the business in a whole different way. As a business owner, you should be looking for the businesses where you can leverage what we just talked about.

You wouldn't… if you operate an air conditioning company, you don't go and buy the exact same type of company. You want to buy a complementary company. So you're going to go and look for those complementary companies.

That's going to cause you to investigate at a whole different level than you would if you had a pocketful of money and say, "I'm just going go out and buy any company." Well, you wouldn't do as good of a job if you had all the money.

The other side to this is that if you do it correctly, now, it does require you to go in debt and get some leverage and be leveraged, but you can actually walk into this deal with no money and walk out with money in your pocket and have all these assets in place.

The other side to this is that you may not have the money now, there's a way to get the money overtime. You don't simply wake up one day and decide, "Today I'm going to buy a business, and tomorrow I'll be worth twice my value." It doesn't happen that way. It does take some time.

When selecting another business to acquire, you would start to form a relationship with that owner, and when forming that relationship, before you actually have all the money you need, you could actually do some kind of a joint venture where you guys could both earn money just from having a relationship with each other.

You can actually do this cross-marketing multiplier before you acquire the company, to see if it's a good fit on the front end. So it may be a fact that you don't have the money today.

But in six months, by doing this cross-marketing multiplier and some of this growth model we talked about, amongst two business owners who see eye-to-eye and want this deal to go through, the money can be raised in a short period of time to make this deal go through.

There are a number of ways, without any money in your pocket, that in six months you can acquire a business that's your size and possibly even larger.

Gary: *Thank you so much for that, because I know the business that we acquired… you know, you mentioned it earlier in the call, for those who were listening, was owner finance. The thing you have to remember is the other owner wants to sell their business and move on.*

I love that the last thing that you brought out in the growth strategy was eliminating the duplicate costs. So again, people should go back and listen to that part again, as to the strategy that Walter laid out for the actual "how to grow the business" part.

He focused on the growth part, and eliminating the costs came in last. Everybody looks at that and says, "Oh, that's where they start." No, no, no. It's the multipliers that people start thinking about, and the cost gets taken out once they start realizing some of those multipliers.

Walter, this has been fantastic. I know we're getting long in our hour. How can people get more information from you? If they're interested and they're selling their business, how can they reach out and work with you? What's the easiest way?

Walter: Well, the easiest way is to go to my Web site, WalterBergeron.com, and there are a number of resources there. One of them is called the "Free Kit," and in it is the book that you mentioned earlier and an audio CD that explains some of the things we talked about here.

It gives them some more information, at least a place to start, an inexpensive, easy way to get started with this newfound knowledge of being able to do these really leverageable, really powerful things with your business. So it's WalterBergeron.com, and I'm happy to give that to you if you'd like to go there and request it.

Gary: *Well, Walter, again, thank you so much for doing this interview. I got a ton out of this in talking to you, and I know when I was running my training business that I had for 10 years, I would've loved to known about a guy like you to help me at that time. I think I would've had some more cash in my jeans.*

Walter: [Laughter]

Gary: *Walter, I wish you were doing that then and that the people listening truly take advantage of a resource like you, because having somebody like Walter in your corner is another asset that you definitely have to have. Steve?*

Stephen: *Yeah, and I encourage people to take Walter up on his offer of certainly taking a look at the Free Kit and keeping his service in mind, because I think those things that's really interesting in talking to Walter, is here's somebody who's done it six times.*

I don't know very many people who have successfully sold six businesses, so that's impressive in itself. But on top of that it's just, Walter, listening to you talk is, you've taken a model, again, that I said earlier that the big companies have been doing forever that has been proven to amass huge amounts of wealth.

You've found out a way to make it work for Main Street businesses, which is fantastic because then it also means, you know, it's not something new. You've modeled success and you've figured out how to take that model and apply it in a different place.

I really encourage people to think about these things if they're in that stage of looking down the road and saying they ultimately want to sell their business at some point.

Walter: Yeah, I mean, I wish I could say I was extremely smart and I'd invented this thing on my own, and you know, it's all my idea. [Laughter] The fact is, I just follow what others were doing, and look, I started really small.

I mean, my business started out in a shed in the middle of the sugarcane fields here in south Louisiana with nothing to start off with, and I grew it to that level many, many times, and it was because I followed models of those who had done what I wanted to do.

I'm not this super genius who knew how to do this from the beginning. There were a lot of road blocks, a lot of stumbles along the way, and doing it six times, you learn to take your licks, I can tell you that.

It wasn't all peaches and cream, here. [Laughter] There were some times where I'd go home with my head in my hands and tears down my face like, "What did I do here?"

But I took my licks and kept going, and that's something that anyone can do, and if you can take advantage of a resource like I offered you guys, then I think you can avoid a lot of those obstacles and make this happen even faster for you.

Stephen: *That's cool.*

Gary: *Super. Walter, thanks again so much. I know you've got to run, and our hour's up, but thank you so much, Walter, and it's just fantastic information.*

Walter: Gary, Stephen, thank you guys so much for having me, and I really appreciate being able to share this knowledge with other entrepreneurs. It's something I'm driven to do, and I don't want anyone to fail because they just don't know something.

It's all out there, you can do it. It's not something that's beyond your capability, and I urge you to take advantage of some of the offers we just made, and you guys are doing a fantastic job by sharing it with your audience. Thank you guys so much for having me!

Stephen: *Thank you, Walter!*