HOW MARKETING is KEY to your EXIT STRATEGY

By Bruce Condit

When it comes time to sell your company, marketing will play a bigger role than you might suspect. Here's how to prepare.

Marketing is not commonly considered part of the mergers and acquisitions process. Everyone emphasizes preparing the company for sale, identifying potential buyers, due diligence, legal reviews, and so on. These are important aspects of the process, but to secure a premium price for any company you need to do a bit of marketing—even in mergers and acquisitions.

Effective marketing is built around the four P's: product, place, promotion, and price. Miss the mark on any of these, and it can make a big difference in the final price of your company. As an owner, you can build a great company that is extremely successful; however, if the company is not properly promoted and priced, its value will be diminished. Here's how the four P's of marketing impact the mergers and acquisitions process.

PRODUCT

The product being sold is the company. Obviously, you want to get a premium for it. Before any product can be sold for a premium, it must be properly prepared and inspected, and deficiencies must be addressed. A merger or acquisition requires a meticulous review of all financial records, legal documentation and issues, staffing levels, equipment, technology, facilities, and anything else that could reflect upon the company.

You wouldn't consider paying a premium price for a vehicle without inspecting it closely. You might even hire a mechanic to take a closer look at it. Any buyer who is willing to consider paying a premium for your company will examine it from top to bottom to identify any issues that could potentially impact its future performance—and, of course, instead of a mechanic, they'll be hiring accountants and attorneys to examine company documents.

Your company is the product you are selling. Make sure it's flawless (within the bounds of reason) before it comes to market.

PLACE

In this instance, "place" is the marketplace where the company is being sold. That definition goes well beyond the town, city, region, or country in

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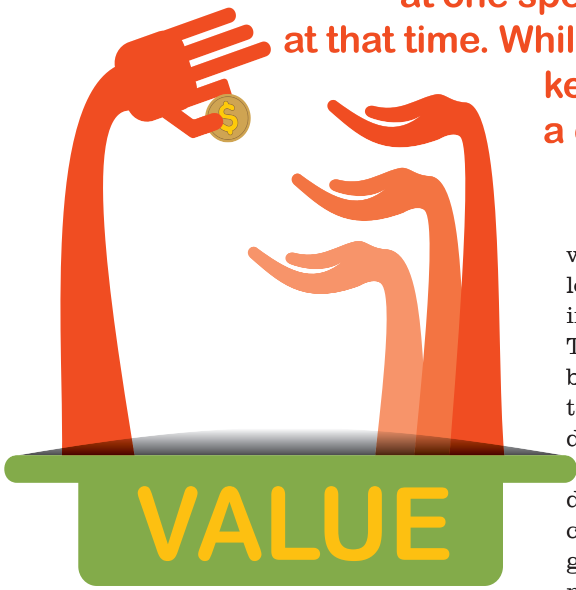

which the business is geographically located. A seller's marketplace now includes potential buyers worldwide. The global marketplace is impacted by the economy, industry trends, technology changes, supply and demand, and cost of capital.

A depressed local economy could dramatically impact the value of the company within its region. However, global demand for that same company may still be strong. Marketing a company globally ensures that owners get the best possible price regardless of local or national economic conditions.

Today, new developments in energy-exploration technology often command a higher value globally than they do domestically. Foreign companies need the new technology to tap developing energy resources. Often, the easiest way to get that new technology is to buy a proven company that already has it. Therefore, foreign buyers are often willing to pay a higher price than are domestic firms.

PROMOTION

Many investment banks overlook the importance of promoting the companies they sell. Promotion is the only way to identify the best possible buyers who will pay the most for a company.

Ideally, promotion entails researching and identifying a target list of ideal buyers, regardless of where they are located, and projecting a positive brand image through the offering documents. Professionally researched and designed documents and presentations that highlight the success and future potential of the company are part of the promotional plan. Lastly, the promotional effort involves preparing the company's owners and key managers for interviews with prospective acquirers.

PRICING

The value of a company is not determined in a vacuum. Professional valuations are a snapshot of a company's worth at one specific point in time, based upon market conditions at that time. While professional valuations can provide a key metric in determining price, the true value of a company is determined by the marketplace—the buyers. It is therefore critical to identify the largest number of potential ideal buyers, and to conduct a silent auction to increase buyer competition and maximize the price.

We all know the old saying that beauty is in the eye of the beholder. In the same way, experienced investment bankers know that company value is in the eye of the buyer. For example, an oil field services company recently sold for nine times its earnings to a foreign buyer. The average domestic buyer would have paid only five to six times the company's earnings. The difference between the two amounted to $30 million for the owner. The global marketplace truly determines company value.

Marketing is an important part of mergers and acquisitions. It can add millions to the final price of your company. If you want to sell your company and get the highest price possible, remember the four P's, and make sure your banker employs all four in your company's marketing plan. **N**

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