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## **How to Build Value in Your Distributorship**

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# Why is “value” so important?

Are you going to own your company forever?



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# What creates value?

- Years in business?
- Big clients?
- The name of your company?
- A WBENC or other minority-owned status?
- Cutting edge technology?
- Untapped potential?
- Cool office space?



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# So what DO buyers want?

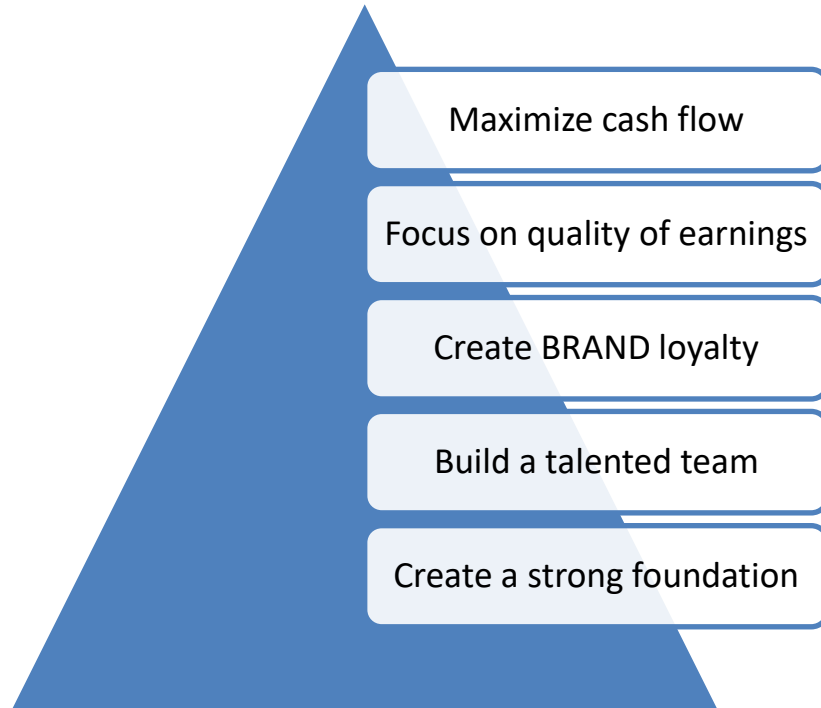
- Earnings/ROI
  - Transferrable
  - Recurring/consistent
- Growth potential
- Mitigated risk
- Flexibility



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# Steps to building value



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# Create a strong foundation

- Entity type (S-corp)
- Policies and procedures
- Infrastructure
- Board of advisors



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# Foundation - Entity Type

- CPA guidance
- Tax considerations
- Buyer preferences
- S-Corp offers best of both worlds



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# Foundation - Policies and Procedures

- Policy and procedures manual
- Credit policy
- Job descriptions
- Product safety requirements



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# Foundation - Infrastructure

- Documented workflow
- Order processing
- Accounting software
- Automation



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# Foundation - Board of Advisors

- Strategy
- Voice of reason
- Laws & regulations
- Independent viewpoint



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# Build a talented team

- Focus on individual strengths
- Clearly define roles
- Compensate accordingly
- Empowerment
- Outsource



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# Team – Focus on individual strengths

- Routine assessments
- Be willing to make adjustments
- Participate in upward feedback



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# Team – Clearly define roles

- Important prior to hiring
- Goes hand in hand with the job descriptions
- Link to workflow chart
- Make sure there are no “holes” in your process



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# Team – Compensate accordingly

- Type of comp - Full commission, salary, salary + commission
- Reward/recognize hard work and accomplishments
- Encourage open communication about compensation



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# Team - Empowerment

- Strategic delegation
- Remain output focused
- Set clear expectations for outcomes
- Review work and give specific/immediate feedback



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# Team - Outsource

- Payroll
- Accounting
- IT
- Artwork
- Production



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# Create BRAND Loyalty

- Salesperson vs. company relationship
- Let customer service people take a role
- Customer acquisition strategy
- Be the best at what you do



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# Focus on quality of earnings

- Diversification of customers
- Diversification of salespeople
- Core business is repeatable
- Verifiable earnings



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# Earnings – Diversification of Customers

- No customer greater than 10% of sales
- Specialize across several industries



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# Earnings – Diversification of Salespeople

- Business not dependent on one salesperson
- Recruiting
- Appropriate compensation



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# Earnings – Core Business is Repeatable

- Annual orders
- Monitor repeat order rate



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# Earnings – Verifiable earnings

- Accurate accounting records
- Agree to the tax return
- Make sure your balance sheet is also correct
- Make sure details reconcile to the totals on the financial statements



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# Maximize cash flow

- Margins, margins, margins
- Reduce expenses
- Deposit with order
- Utilize technologies



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# Cash flow - Margins

- Average for the industry is 35%
- Establish a minimum for the “house” – 17.5%
- Work with vendors on terms/consider buying group
- Don't think you can outsell bad margins



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# Cash flow – Reduce expenses

- Virtual office
- Outsource
- Consider scrapping decorating
- Monitor your income statement



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# Cash flow – Deposit with order

JUST ASK!



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# Cash Flow – Utilize technology

- Accept electronic payments
- Email invoices directly from accounting software
- Automate collection habits



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# Thank you!

# Questions?

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