

# Creating Value



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## INCREASE THE VALUE OF YOUR BUSINESS

### **1. Redefine your business so that you are # 1**

It is not a question of size, but processes and perception. Narrow your focus, live your mission statement and do what you are best at.

### **2. Diversify your customer base**

If you have a customer providing more than 30% of your sales, apply a 10% discount in your valuation. Grow your smaller customers and find new ones so the 80 /20 rules apply.

### **3. Get contracts with assignment clauses**

If possible, get agreements with your key clients or make all efforts that the customer is buying from your company and not because of you.

### **4. Show a gradually increasing profit margin and steady or increasing sales**

All buyers will discount a business that is stagnant for some years, although it may be making you a good living. If you have the energy to get that push, good for you, otherwise negotiating a buyout can be attractive, but note that no buyer pays for the future unless it is in the pipeline.

### **5. Develop a recurring revenue stream**

Keep your clientele. No matter what your business, keep a tab on recurring business through some form of customer tracking system.

### **6. Update your marketing material and website**

At least once a year update something; it's like polishing your shoes.

### **7. Empower your managers**

Let them run the segment they are responsible for. The buyer will appreciate the fact that the manager is the operations guy and can manage its part, leaving running the company to the owner.

### **8. Lock in key employees**

Make sure they earn the gold before they get it. The buyer will most likely honor a good contract, but integrity may not be always transferable. Selecting and keeping a business relationship with your employees rather than a friends and family culture, will put the buyer at ease.

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