



PERCEIVED VALUE

Take The Time To Prepare Your Business For Sale.

With David Murphy

There are many reasons why we would like to sell our vending businesses. These include retirement, loss of sales, slim chances for future growth, not enough sales to sustain full-time employment, or opportunities elsewhere. If you have similar reasons for selling your vending or office coffee business, you will want to get the best value for the time and energy you gave to its success. That means taking some time to assess the value of your business.

Selling your existing operation should not be taken lightly. It's one thing to have to sell quickly, perhaps for health or personal reasons, but taking the time to prepare yourself and your company is important. Doing research is a must to get the best value the marketplace will bear. I believe everything will sell, at the right price. To establish the right price, several things have to be taken into consideration.

First, a prospective buyer is going to ask to see financial statements for the past two or three years. After reviewing the numbers, the next step will be an assessment of the type of accounts you service. Then the prospective buyer will want an inventory of equipment and locations. These are three of the most important elements in the sale. The other factors of a sale become relevant as they pertain to the above three.

Establishing value is a factor in items such as product selling price, commissions and contracts. Like any other product you sell - coffee, food or snacks - you must have perceived value to attract a value now and, if not, how do I get it? There are several ways you can prepare. First, have an up-to-date set of books - not the numbers prepared by you - a set of professional books prepared by an accountant. Without these you will probably sell your business for the equipment value. Be careful to not just let anyone see your books so a non-competition clause or confidentiality agreement should be in place. Your lawyer can prepare this for you. There's an old saying when it comes to your books - pay the account now or it will cost you later. You can't have it both ways when it comes to selling. If you take too much out and not show it, don't expect to receive full value for what is not on paper. No one will buy something that's not there: would you?

Equipment is a big factor. You don't need to have all new equipment because nobody has, but your equipment needs to be in good shape with a mix of new and old. It should all be clean and in excellent working order. Time is money and nobody wants to spend a lot of time, especially in the short term, replacing equipment. The new buyer does not want problems with new customers about equipment.

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You can't do much about the type of accounts your company has but your relationship with them is worth something. If you have had good service in the past and your prices and commissions are within market standards, this makes the purchase more interesting. If your prices are too low and commissions are too high you have a tough sell. No new buyer wants to raise prices or lower commissions in the short term. You are the key to the stability of your accounts and the sale will depend on your assurance of the new owner's retention.

Having taken a look at your statements, equipment and accounts ask yourself who would be interested in purchasing your vending or office coffee business? There could possibly be many interested buyers but you must pursue and research each one of them. Your volume will attract a different buyer. Larger volume will attract a larger number of prospective buyers. But don't be discouraged, smaller sales make a good add-on for companies and they are ideal for a newcomer to the vending or office coffee profession. Establishing your worth is not easy. Some companies use their profits as a base. I use gross sales. As a consultant I help a lot of clients put a price on the companies they are purchasing.

Purchasers like a second opinion - it makes them more comfortable with their offers. If you are thinking of selling, take the time to seek a valued opinion, not just your accountant's, but also from someone with knowledge of our profession. A good consultant will help prepare your company for sale, therefore increasing its worth. The same rules apply to selling as buying. If you make time to plan, it will add profit to your sale. Remember, to get the best dollar for your business you must show perceived value.

Dave Murphy has 33 years as a vending foodservice professional. If you have any questions please e-mail: dave@davidmurphyconsulting.com or toll free at 1-866-428-8428.