

AROUND THE WEB: A MONTH IN SUMMARY

The recently published Axial article entitled “How Customer Due Diligence Led to a 30% Reduction in Offer Price” explains how important the due diligence process is for a prospective buyer during a business transaction. The author goes in-depth into a case study that demonstrates how proper due diligence can save a bad deal from coming to fruition, while giving examples from the case to show the effect that due diligence can have on a sale.



In the author’s case, further research into a business that seemed to have a great track record and excellent position in the market turned out some interesting information:

1. Competitors were making progress
2. Customer service could be improved
3. Innovation was lacking
4. Customer loyalty was much lower than average

These things could have easily been overlooked without a proper vetting and due diligence process, but since the business was researched thoroughly, the buyer was able to bring down their offer price by a significant amount.

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The recent Forbes article “When Negotiating to Buy a Business – Attitude Is Everything” illustrates how negotiations can and should be treated with care, especially in regard to the attitude of the buyer. It explains how deals can take a quick turn due to things like struggles over non-negotiable points of interest or simply a bad attitude on the part of either the buyer or seller.

Money, of course, always comes into play at some point during negotiations, which is a point of contention and heavy negotiation. Understandably, money talks can draw out a lot of emotion: sellers want to make sure they are getting what they deserve and buyers want to get a deal that will be profitable in the long-term. It is so important for both parties to have respect and to build trust in these negotiations, as a deal can fall through easily if not treated with care.

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The recently published Axial article entitled “Selling? Look for a Buyer Who’s Walked a Mile in Your Shoes” explains the benefits of due diligence and patience when selling a business. The article outlines the sale process of the footwear brand Flojos, the pride and joy of the Lins, a couple that built the company into a \$50 million+ business over their tenure as owners and operators.

After finding an M&A advisor with experience in the consumer products field, the Lins focused on finding a buyer that would understand and succeed in the business, as well as continue the legacy that they had created. They wanted a buyer that represented their business well, and after receiving a few offers, they were able to select a buyer that was able to do this.

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A recent article in The Business Journals “3 Questions to Consider When Looking at Mergers and Acquisitions” outlines what a prospective seller should consider regarding mergers and acquisitions as a means to exit their business. The current state of the M&A market makes this option very lucrative, with record transaction numbers and valuations. But no matter the state of the market, knowing whether or not this is the best option is important. When considering a merger or acquisition, you should ask yourself:

1. Does M&A align with your company’s strategic plan and vision?
2. Have you conducted adequate due diligence?
3. Do you have a post-deal integration plan?

While time and patience are very important during this process, it is also very important to understand everything about the process, why you’re undergoing it, and what it means for your business. A merger or acquisition could mean very good things for your company if you are well prepared and know what questions to ask.

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The recent article in Divestopedia “What Role Does Your Brand Play in a Successful M&A?” explains how a business’ brand often takes a backseat to most other business activities during the M&A process. The author explains how crucial the brand really is within the transaction process, as it represents how the new business is both perceived and received by the public and shareholders of the acquiring entity, as well as employees and customers.

Branding in consideration of employees is very important in the transaction process, as the cultures of the now combined companies may differ drastically. This makes consideration in terms of culture and structure so important for both entities to ensure the process runs smoothly and the new entity is able to move forward seamlessly.

In consideration of the customers of both entities, the transaction process should flow and occur in a way that will least affect customers. This includes seamless integration of customer service processes as well as pricing and product availability, among others.

Other stakeholders to be considered during the M&A process include investors, partners, and others that are directly affected by the sale. A brand strategy that takes into account these members' best interests will lead to a better rate of success.

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About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.

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