

Day One is the Day to Prepare Your Exit

Pepperjam CTO, Greg Shepard recently published “Planning Your Exit Should Begin When You Launch” in Entrepreneur magazine. In this article, Shepard puts forward a variety of thought-provoking ideas including that entrepreneurs should be thinking about partnering early on with those they believe will ultimately want to buy their business.



Thinking Ahead

Much of Shepard’s thinking centers around the fact that a large percentage of startups end in acquisitions. In particular, he notes that in 2017, “mergers and acquisitions accounted for 93 percent of the 809 ventures capital-backed exits, yielding a total of \$45.6 billion in disclosed exit value.” Not too surprising, he also points out that according to a recent Silicon Valley Bank survey, over 50% of all startups are “hoping for an acquisition.”

For this reason, Shepard points out that entrepreneurs should be thinking about who may potentially acquire them from day one. In particular, startups will want to build their companies in such a way that they will be attractive for acquisition at a later date.

Making one’s startup attractive for acquisition means thinking about such details as the Ideal Customer Profile, Ideal Employee Profile, and Ideal Buyer Profile. This will help startups build the most attractive acquisition friendly company possible. According to Crunchbase, exit opportunities frequently present themselves well before a company’s Series B funding.

Building Successful Strategies

Startups simply must understand who their customer is and why their particular product is attractive to that customer. Likewise, having the right kind of employees with the right kind of training and know how is key. Hiring the best talent is definitely a way for a startup to make itself more attractive for a potential future acquisition.

Shepard believes that once you understand your customer and have the right team to support your vision, you'll want to focus in on companies that are most likely to be interested and construct an "optimal buyer pool." Finding this optimal buyer pool means finding businesses that serve similar markets and then making sure that your product, as well as your business model, both address an overlooked need within the existing customer base. Combine all of these variables together, and your company will be more attractive for an acquisition.

Let Innovation Drive You

Another key point in Shepard's article is that startups will want to provide products or services that potential buyers are currently not providing to their customers. Additionally, he states that "Disruptors should seek out companies that are truly driven by innovation-perhaps those that have already established or partnered with innovative labs or accelerators."

Ultimately, it is critical for startups to understand where they could fit within a larger organization. Understanding this will help entrepreneurs make their company more acquisition friendly.

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