The Titan Times Newsletter

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Masterful Quotes

"Incredible things in the business world are never made by a single person, but by a team."

~Steve Jobs

"The growth and development of people is the highest calling of leadership."

~ Harvey Firestone

"There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder."

~ Ronald Reagan

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50 Reasons to Ascertain the Value of Your Business

An estimate of value and a full business valuation represent two different tiers of understanding the worth of a business. An estimate of value offers a broad, general approximation of what your business might be worth in the current market. This is typically derived using a limited amount of financial data, some comparable business sales, and industry rule-of-thumb figures. It offers a quick, though less precise, understanding of your business's value.

A full business valuation, on the other hand, is a comprehensive, in-depth analysis of a company's worth. It involves a rigorous examination of a multitude of factors including, but not limited to, a business's financial history, market position, assets, debts, revenue streams, competitive landscape, future earnings potential, and more. The result is a more precise and well-substantiated valuation figure, providing a much deeper understanding of your business's value.

Business owners should consider having a business valuation or an estimate of value performed for several reasons. A valuation provides essential information when contemplating selling the business, planning an exit strategy, or making major decisions such as expansion or restructuring. Moreover, understanding the business's value can aid in securing financing or attracting investors, as it allows an objective demonstration of the business's worth. Furthermore, a valuation can be crucial in personal financial planning, particularly in instances such as estate planning or a divorce settlement, where a clear, objective value for the business is needed. Therefore, whether an estimate of value or a full business valuation, understanding the worth of your business is a key component in informed decision-making. (continued)

2023
Federal Legal Holidays

January 2
New Year's Day (observed)

January 16
Birthday of Martin Luther King, Jr.

February 20
Washington's Birthday

April 17
District of Columbia Emancipation Day (observed)

May 29
Memorial Day

June 19
Juneteenth National Independence Day

July 4
Independence Day

September 4
Labor Day

October 9
Columbus Day

November 10
Veterans Day (observed)

November 23
Thanksgiving Day

December 25
Christmas Day

While there are many reasons to ascertain the value of your business, below is a sample list of 50:

1. To know what business is "worth"
2. To have an idea how the market would value the business should you want to sell
3. To set up a process that would make the company more marketable should the owner decide to sell or when they are ready to sell
4. To be used to consider an offer from someone who wants to buy the business
5. Creates a bigger playing field for owner to assess the results of their decisions or potential of wealth creation
6. The valuation is a method that can show how wealth is created and that can indicate a direction to go in
7. Can show how an initial operating cost can become an investment and how it can be recouped by increased value of the business
8. Places the owner in a position to measure the business in terms of value creation and not on the immediate profit (or loss) from a transaction
9. Identifies value drivers
10. Can possibly uncover areas of the business that can be exploited for greater current profit as well as long term growth
11. Can identify weaknesses or areas that dissipate value
12. To establish a buy-sell agreement and a method of automatic adjustments
13. For updating buy-sell agreements
14. Shareholder or partner disputes
15. To freeze out minority owners
16. Business or owner life insurance purposes
17. To determine built-in gain for conversion of a C Corporation to an S Corporation
18. For owners' personal financial planning
19. To use on owners' personal financial statements
20. To be used as a guide to determine retirement or buy out payments to the owner
21. To indicate the value for credit purposes
22. To value assets and asset impairment for GAAP, i.e. financial statement, purposes
23. To be used as a guide to determine reasonable compensation
24. To plan for a merger with a supplier or competitor
25. To allocate costs in an acquisition or merger

26. To assist the dream of going public and capitalizing the business' value
27. For gift tax purposes such as ownership transfers to a child, donations to a charity, transfers to grantor trusts or installment sales to a defective trust
28. For estate tax reporting purposes
29. For an estate's division of assets where the business will go to one beneficiary and offsetting assets to another
30. To assist a beneficiary in selling an inherited share of a business
31. For succession planning
32. To set up, or value, an employee stock ownership plan
33. For stock compensation awarded to employees including restricted stock and stock option plans
34. To determine a base line and value growth for phantom stock arrangements
35. To value assets in a marital dissolution
36. To be used for prenuptial agreements
37. Valuation of business in a bankruptcy
38. To distinguish between enterprise and personal goodwill
39. To establish economic damages should there be a loss from a disaster and lost cash flow
40. To use as a benchmark to measure the business' "growth"
41. Can provide measures of key numbers and ratios with peer companies
42. To be used in or to get started with strategic planning
43. To see if an independent appraiser can uncover hidden value
44. To determine if there is value greater than, or separate from, the present operations such as strategic value
45. To indicate how to recognize, maximize, build or grow and realize full value of strategic value
46. To raise owners' mindsets from daily operations to that of creating long-term and sustained value
47. To understand the illusion of value and ways to make the value a reality. For instance, value can be lost very quickly when exposed to risks such as damage to reputation and regulatory overreach and valuations can assist in identifying the importance of this
48. Creates a vaster vision for the business owners
49. Periodic valuations can be a tool to track the ways value is created assisting in strengthening the business
50. To help identify whether the business is a growing, stagnant or wasting asset

Valuations are serious undertakings and can be extremely revealing. When properly and thoroughly done, they can also add value. Whether an estimate of value or a full business valuation, understanding the worth of your business is a key component in informed decision-making.

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Some General Sales Statistics: What Can we Glean?

Below are some general historical statistics that have been reported in sales studies. These do, of course shift based on factors such as the industry you serve, product or service, geography, etc. How can you apply these to your practices?

1. Average Lead Conversion: The average lead conversion rate across industries is typically between 2% to 3%.

2. Speed of Contact: The odds of contacting a lead decrease by 100 times if the first contact attempt is made 30 minutes after the lead showed interest rather than within the first 5 minutes.

3. Follow-Up Persistence: On average, it takes 8 cold call attempts to reach a prospect.

4. Sales Closing Ratio: The average sales closing ratio is around 20%-30%.

5. Best Days for Email: Tuesday is often the most effective day to send sales emails, followed by Monday and Wednesday.

6. Use of CRM: High-performing sales teams utilize CRM tools 3 times more often than underperforming teams.

7. B2B Sales Cycle Length: Almost 75% of B2B sales to new customers take at least 4 months to close, with almost half taking seven months or more.

8. Use of Technology: Top salespeople use tools like CRM, social selling, data analysis, and email clients more frequently than their peers.

9. Referral Lead Conversion: Referral leads convert 30% better than leads generated from other marketing channels.

10. Lifetime Value of Referral Leads: Referral leads have a 16% higher lifetime value compared to non-referral leads.

(continued)

11. Cost of Customer Acquisition: Acquiring a new customer can cost five times more than retaining an existing customer.

12. Follow-Up Calls: 80% of sales require 5 follow-up calls after the initial meeting.

13. Giving Up Early: 44% of sales reps give up after one follow-up.

14. Email Opening: The average open rate for sales emails is about 24%.

15. In-person Meeting Conversion: According to Baylor University, only 1% of cold calls ultimately convert into appointments.

Again, the statistics for your particular circumstances may vary based on a number of criteria, but these statistics form a good generalization. Based on the above, it is clear that time matters - from how quickly leads are contacted to the persistence required in following up. While only 2-3% of leads convert on average, the chances are substantially improved with swift engagement and persistence, as it typically takes eight cold calls to reach a prospect, and 80% of sales need five follow-up calls post-meeting.

Equally important is the strategic use of technology; top performers use CRM tools three times more often, indicating a correlation between technology adoption and sales success. Sales emails have the best open rates on Tuesdays, indicating the importance of timing your communication. The sales cycle length in B2B sales often stretches over four months, requiring a sustained strategy and patience.

Lastly, let's not overlook the power of referrals, which have a 30% better conversion rate and 16% higher lifetime value. These statistics serve as a reminder that mastering sales is an art form, requiring speed, persistence, technological adoption, strategic timing, patience, and the cultivation of customer relationships for referrals. In the evolving sales arena, it is the understanding and application of these insights that can set successful sales professionals apart.

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