

Business Succession Planning:

How Developing Your Effective Exit Strategy Now Increases the Sticker Price of Your Business When It's Time to Sell

As a tire or automotive service shop owner, did you know that from a business succession planning perspective, every dollar that you can add to cash flow will likely yield you \$2 to \$3 in the most likely selling price of your business?!

Many shop owners with whom I interact who are considering the sale of their businesses, or at least planning

cash flow is a topic I tend to focus on when helping sellers. I often recommend that investing time, energy and financial

“We want a legacy that is more than just working up until the last day of ownership, locking the door and throwing away the keys.”

ahead for that inevitability, have gained the very valuable knowledge that, regardless of whether transitioning the business to a family member, employee or outside buyer, it is important for the seller to focus on making the business as sellable and valuable as possible for as long as possible.

In fact, improving and maintaining business

resources in your business and running it for a while as if you plan to keep it, is the best possible way to maximize its value.



That's because there is just no getting around it, if you plan to someday sell your shop to a buyer who will be financing the transaction, the bank will require the submission of business financials and tax returns for at least the previous three years.

Every business has an opportune time to sell for maximum valuation.

The time to sell is:

- When business is good;
- When you don't have to sell; and/or;

broker, business appraiser, accountant or financial consultant will help you understand:

- How the value is determined,
- How buyers will perceive your business value,
- Whether or not it will likely get bank financing and,
- The value that a third party bank appraiser will give your business.

I have interacted with sellers who have significantly undervalued their business, as well as many who have a



Randy Lucyk at the service counter of Midas of Kalkaska, MI.

- Before the emergency happens.

Never Too Early

It's never too early to get an idea about what your business might sell for. The "exercise" of going through a valuation of your business with a

well-inflated opinion on what it might sell for.

One way to gauge the value of your business is to make believe one of your family members just came to you for advice on buying a business and showed you the financials for a busi-



Randy Lucyk outside his shop, Midas of Kalkaska.

ness that just happened to be like yours. What would you tell this family member is a reasonable price to pay?

It is important to look at your business objectively and not get caught up in the emotions of all the sweat equity that you have expended over the years, or what you need to get for it in order to consider retirement.

A Case In Point

Kalkaska, MI, is a village of just over 2,000 residents located in a county of only about 18,000 people in northern Michigan. It is the county seat of Kalkaska County, which has more than 80 lakes and 275 miles of streams and rivers and is home to the National Trout Festival. In this small town setting, which combines a strong base of community values, a heritage of hard-working people and picture-perfect natural beauty, Randy Lucyk

has owned and operated Midas of Kalkaska for 34 years.

As a baby boomer who has worked for decades and is now exploring his future options, Randy is typical of many shop owners across the country who are approaching retirement age. But there are a couple of things that make Randy truly unique. For one, despite the country-like setting of the surrounding environment, his shop will be doing about \$1.3 million in sales this year. Secondly, he has launched a business succession planning initiative that uncharacteristically includes a group of colleagues who are owners of both Midas and independent shops in locations both close and far away. The goal of the initiative is to collect and share information about developing exit strategies that ultimately will in some way benefit everyone in the group.

Randy is articulate when describing

the mission of the initiative when he says, “There are so many of us who have worked hard all of our lives and are now beginning to envision what our futures will look like once we are no longer shop owners. Just getting out of the business and forgetting about it may be an easier path, but getting out of it successfully is a goal more worthy of all the years and resources we’ve invested in it. So teaming up on an ongoing basis to share ideas, to learn about options, to talk with each other and to leverage the expertise of professionals makes that journey much less daunting.

“We want a legacy that is more than just working up until the last day of ownership, locking the door and throwing away the keys,” Randy continues. “I’ve invested a lot in this business and reaping the rewards of that is not unreasonable, but it won’t happen by itself. Successful succession is not a given.”

Some shop owners have concerns about business privacy and confidentiality when it comes to interacting with other shop owners, as well they should. But perhaps there should be limits to the degree of confidentiality if sharing with others can be of benefit to one’s goals. Randy noted, “I’ve always felt that there is ultimately more benefit to me in sharing information about my business than there is to keeping it a secret.”

He continued, “The more I know, the more I learn, the more I collaborate with others, the more likely it will be that I’ll be able to one day achieve my goal of retiring in the manner that I want. I am completely convinced that a group of intelligent, experienced business owners can come up with better questions and solutions

than we can each on our own.”

Randy also said, “Our group will be looking at identifying and interviewing former shop owners in our industry, some of whom had successful successions and others who had failed attempts. I won’t speak for the others in our group, but for me personally since I own the land upon which the business sits and intend to lease it to a new owner, the worst possible result would be that the business fails due to poor management after I sell it and I have to come back in to rebuild it. So not only do I want the new owner to be successful, I want him or her to be wildly successful.”

An Idea Takes Shape in the Form of a Webinar

When Randy initially approached me regarding the topic of business succession planning, he had the idea that it would make sense to share my after-market-specific expertise on the topic with a small group of shop owners in an informal, interactive way. From that idea sprung the creation of a webinar designed for just that purpose.

Randy had researched the business succession planning landscape and found that most of the firms that specialize in the field are really more geared for multi-million dollar corporations than for individual business owners.

“To many succession planners, businesses with sales in the \$5 million to \$10 million range are their starting points for clients, so when you start thinking about a typical auto service facility doing \$1 million or less, most of us who are shop owners are just left out there hanging with our accountant and are pretty much on

our own,” he commented.

Where There’s a Need...

Because I speak with so many shop owners regarding their businesses and their future plans, it has become apparent to me that there is a real need for providing them with the critical information to develop effective exit strategies through business succession planning.

As a result of that and my discussions with Randy Lucyk and his group, I created a webinar titled

“Business Succession Planning for Aftermarket Shop Owners.” This primer, created specifically for tire and auto service shop owners, is an interactive session that can be viewed from the comfort of a shop owner’s own computer at scheduled times once per month. The first webinar was in April and they will soon be conducted monthly.

Within the “Business Succession Planning” contents, I have included “10 Success Factors,” which I have created for maximizing the value of a tire or auto service business. During



Webinar Topics

Business Succession Planning Topics for Aftermarket Shop Owners

- Why plan?
 - When to plan
 - What are the options for transitioning my business?
 - 10 success factors to maximize your business sale price:
1. How to prepare and package your business to show off its strengths to prospective buyers.
 2. How to properly price the business to attract buyers but not leave money on the table.
 3. How to determine the perfect time to sell.
 4. How to leverage the professionals on your team and best use their expertise.
 5. How to maintain confidentiality.
 6. How to use your limited interaction with the buyer to your benefit.
 7. How to filter out tire kickers so you don't waste time with unqualified buyer prospects.
 8. How to keep your foot on the gas to maintain sales and profits up to and during the transition process.
 9. How to be open to creative financing ideas.
 10. How to be flexible and negotiate with an open mind.

the webinar, we will spend a considerable amount of the presentation time on those factors. The principles apply regardless of whether you are considering a transition to an employee, a family member or an outside party.

During this virtual event, I will share some specific experiences where auto service business owners made mistakes or learned how to correct a problem that might have impacted a future sale; or who did not receive the maximum sale price possible when they ultimately sold the business.

Who Should Attend?

The webinar is designed specifically for tire and automotive service shop owners.

Keep in mind that if you are perhaps two to three years away from actually transitioning your business, being aware of these success factors *now* will help in your business transition planning. And, there may be specific action steps that you take during this period to get your business in shape to maximize value when it becomes the perfect time to sell.

It has also been my experience that some shop owners think they are on a two- to three-year horizon, but then have a health emergency or other change in circumstances and now they want to sell immediately, and they aren't prepared to maximize the potential value of the business.

How To Attend

"Business Succession Planning for Aftermarket Shop Owners" is a three-hour virtual event that will be held on a monthly basis for a limited audience. By limiting the number of atten-

dees, everyone will have the opportunity to interact with other attendees and myself.

Each attendee will have the choice of either attending anonymously or being identified to the group. You will have the option to ask questions or make comments, while keeping your identity confidential if desired.

To schedule a seat, contact my son and associate, **Ryan Blumenthal**, at ryan@art-blumenthal.com or **484-798-5059**, or go to the link on my website at www.art-blumenthal.com. There is a \$100 fee for attendance.

Webinar Reviews

The reaction of Randy and his group to the contents and format of the webinar was very positive.

Randy said, "The most valuable concept that came out of that webinar was that if we understood that we should be trying to increase the value of our business, we would do a heck of a lot better job of running it."

Another attendee said, "Even new owners would likely benefit from this information. Maybe we would do a little better job of running our businesses today if we were more concentrated on increasing the business value." **SO**



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