NEW ZEALAND'S E-MAG FOR ENTREPRENEURS AND BUSINESS OWNERS

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The Hidden Pains of Your Exit Strategy

With 83% of baby boomer businesses not having an exit strategy there is big problem coming our way. If this problem is not met, a lot of business owners will face a bleak future. We talk to small business financial specialist Warwick Russell on how we can address this issue and turn the problem around.

BY Warwick Russell

Why is having an exit strategy important for business owners? And how bad is this problem? You really need to begin with the end in mind if you want to exit your business successfully. The best results for you will be achieved when your planning starts at the same time as your business, or certainly well ahead of your planned exit.

HERE'S THE TRUTH BEHIND THE REALITY OF EXITING BUSINESSES FOR YOU TO CONSIDER.

Often the decision on when to exit the business is driven by events beyond the owner's control with one of the four 'Ds' (death, disease, disability, divorce).

We hear from business brokers that three out of five business owners coming to them get turned away. This is because the business is not making any money and has a low value, or the business owner has unrealistic ideas of what their business is worth. That's right, 60% of business owners face getting zero return when they intend to sell!

It is estimated that 60,000 baby boomer owned small and medium businesses will come onto the market in the next 10 years. But only about 17% have formal plans in place for succession or to transition out of the business.

Entrepreneurs live for the challenge of launching their business, but forget that decisions made on the day can have huge implications to the value of the business, and with how they get their money back to move on to their next challenge.

WHAT IS THE TRUE PROBLEM FACING BUSINESS OWNERS, AND WHAT CAN BE DONE ABOUT IT?

Most people go into business not only to earn an income, but also to build the value of their business to ultimately sell.

That sale will often be the primary source of funding for their retirement. But most business owners never take enough time to develop and implement a plan to sell their business, and risk not realising the full value of their investment. This is the single biggest mistake a business owner can make.

The key questions to consider are:

- When do you plan to exit?
- Can you be removed from the business without affecting its operations?
- Do you want to remain involved and exit gradually while continuing to earn from the business?
- Who are the potential buyers for your business and what are their perceptions of the risks and opportunities of the business?
- What is the business worth now, how can that be enhanced and how easy is it for a purchaser to fund?

> **Develop and implement a plan to lower these risk levels and improve the financial performance and attractiveness of the business to a potential purchaser.**

HOW CAN YOU FIX THIS PROBLEM?

Identify the value of your business now and the gap between that and how much you need or want on your exit. Identifying the value of the business is a bit like reverse due diligence.

It is a review of the risks and opportunities of the business including the following elements:

- The attractiveness of the industry
- Business factors including financial track record, customer base, key staff and existence of business plans
- Business growth factors: existing customers, new customers, new products and services and ability to support growth
- Buyer risk around owner dependence, supplier dependence, customer concentration, performance compared to industry benchmarks and ability to raise finance.

Develop and implement a plan to lower these risk levels and improve the financial performance and attractiveness of the business to a potential purchaser. It may take one to three years.

The readiness level of your systems and documentation to be opened to scrutiny by a potential buyer also reduces risk. Identifying who an ideal buyer may be, and understanding the buyer's view on value will enable a business to target what is attractive to a buyer.

Get the right advisors on board at the start. Include your accountant, business advisor, business broker and lawyer. •

Warwick Russell is the owner of Auckland-based SMEtric, offering Virtual CFO services and consulting on financial turnaround and business planning.

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How to build a SaaS B2B Sales Process

(1) Measure everything (2) Improve based on data (3) Rinse and repeat

BY Angus Chudleigh

When building a scalable direct sales model for your B2B SaaS business, you need to make your processes and the resultant revenue both repeatable and measurable.

Repeatable is important so that you can answer the following questions: (1) what will happen if we add X more salespeople? Or (2) what will happen if we add Y more leads into the top of the funnel? If your process isn't repeatable, then these questions are very hard or even impossible to answer.

Measurable is important so that you can make data-driven decisions and improvements. Good measurement also allows you to set KPIs and targets around different parts of your funnel other than revenue. This lets you pay your salespeople against the performance of the full funnel or any part of it. This, in turn, allows you the flexibility to make changes to the compensation plans based on current business needs, and this is a powerful tool indeed for sales leaders and CEOs.

The first step to creating repeatable and measurable processes is to define your selling process. You can base this on your **customer's buying journey or process**. Once that's done, and you have clear actions which help the buyer to buy (that are all either assigned to individual humans in your organisation or automated via software tooling) you can then – and only then – design your infrastructure and playbook to support that and to make it measurable.

I tend to use a mix of **Salesforce**, **Hubspot**, and **Yesware** for this. In this article I'll concentrate on the inbound lead funnel within Salesforce, but in terms of this process, Hubspot is used for marketing automation and lead nurturing; Yesware is used to link your email client to the relevant lead, contact, or opportunity within Salesforce; and Salesforce itself is used to manage the flow of the lead through your sales process.

This process journey moves a prospect from becoming a Marketing Qualified Lead (MQL) into an Opportunity (Opp), and eventually into a Customer (Win). I'll concentrate on one lead source for now – inbound leads – but a similar process can be used for outbound too.

1 STAGE: Marketing Qualified Lead (MQL)

At the top of the sales funnel and the bottom of the inbound marketing funnel you have the Marketing Qualified Lead (MQL). The MQL is the baton pass between marketing's lead generation team and the inside sales function, and the definition of an MQL forms part of the contract that exists between these two functions.

This is a lead that has, either by its characteristics or actions, represented itself as worthy of sales contact. You can have lots of MQL definitions; many organisations I have worked with have hundreds, but what's important is that you're able to track the performance of each MQL type as it flows through your system. This allows the sales function to clearly task marketing with delivering more of MQL type 1 and less of MQL type 55 for example, and as marketing knows the characteristics that make up MQL 1, they know what they need to do.

In my experience, this makes the conversation between sales and marketing around lead generation so much more productive. We can move away from marketing saying "we have given you loads of leads, why haven't you contacted or converted them?", and sales responding with "these leads are rubbish". We can move the conversation towards a quantifiable measure of proven lead quality.

In my Salesforce implementations I would have a shared field between Hubspot and Salesforce called 'MQL Type', and I would have Hubspot set this field based on the MQL type. This field is set only once for each lead, and the field is set to sync to the opportunity upon conversion within Salesforce, so this means that we can track each MQL type all the way through to the revenue.

We can see clear conversion rates for each MQL type, and we can see clear drop off points and the reasons for those drop offs. This means that we can say, for example, that each MQL 1 is worth $90 in New MRR (Monthly Recurring Revenue), whereas each MQL 3 is worth $300 in New MRR.

> **Measurable is important so that you can make data-driven decisions and improvements. Good measurement also allows you to set KPIs and targets around different parts of your funnel other than revenue**

By ranking the MQLs in this manner, you are then able to stream the more valuable leads to the more experienced reps. This is all done via lead assignment rules within Salesforce, so is fully automated. This is a really important point and should always form part of your progression paths for the inside sales reps.

Another benefit of this ranking is the ability to manage workload effectively. When resources are low, you stop calling into all MQLs worth less than X, and when resources are aplenty (maybe after hiring a new cohort), you can put the junior reps to work calling into the lower value leads. This is great training ground to cut their teeth, and also helps you to better understand what the ideal threshold is.

The threshold of which MQL will get human contact from sales should form part of the contract between sales and marketing. There should be clear service level agreements around what constitutes an MQL worthy of sales time, and also what effort sales will make to contact and qualify each of these MQLs.

Further to this, it's my opinion that the lead generation team within marketing should be held accountable via KPIs, targets, and a variable portion of their pay to delivering not just more MQLs, but MQLs of the correct and most valuable type.

2

STAGE: Sales Accepted Lead (SAL)

These are MQLs that a human has looked at and agreed to attempt to contact, usually by your inbound business development representative (BDR) team. The BDRs will disqualify the obviously bad leads, the mickey.mouse@waltdisney.com, and the phone number 1234567, etc. They will also discount duplicates.

Everything else, they will start trying to contact using the agreed upon contact strategy that forms part of the contract between sales and marketing. The MQL to SAL conversion percentage is the first measurement within your sales funnel to be aware of, and should again form part of the contract with marketing. So now, for example, marketing are held accountable for delivering X number of MQLs worth more than Y, and also having >90% of those accepted by sales.

Hopefully, you can see how this data-driven and structured approach can help the conversation between marketing and sales, and hold everyone properly accountable.

3

STAGE: Contacted

You need to track what percentage of these SALs you manage to get in touch with, and which of your contact points was the one that managed to reach them. For example, your agreed contact strategy might involve five calls over a two week period, interspersed with three personal emails. It's important that you track which of these is the most efficient at making contact.

When you have clear differences in contact rate between team members, you can start to drill into this to understand why, and use this to coach and improve. It's amazing how much of a difference small things can make: email subject lines, the name of the rep sending the email, and the structure of a voicemail message can all make huge differences to the contact rate.

4

STAGE: Qualifying

These are MQLs that you have managed to contact but who have not yet met your qualification criteria. The classic qualification criteria that everyone knows is Budget Authority Needs Timeline (BANT), but you should develop your own based on your understanding of what's important to your closure rate.

It's important that you have a contract and SLA between the BDR team and the Account Executive (AE) team on what constitutes a Sales Qualified Lead (SQL), as this will help to define the qualification criteria used here.

The important things to measure in the qualifying stage are:

1. The amount of time that each lead sits in this stage
2. The amount and % of leads that get disqualified from this stage and don't make it to an SQL
3. The volume of leads that each rep has in this stage at any one time. Each of these measurements, when compared across your team, tells you something different about your reps and can be used for coaching purposes or in KPI setting, etc.

5

STAGE: Sales Qualified Lead (SQL)

This is where the lead has been qualified by the BDR team as being a good fit for the product (they've passed the above qualification criteria), and also as being motivated and able to proceed with a purchase. Here you will want to measure the conversion rates from SAL to SQL, the conversion rate from MQL to SQL, the time taken from MQL to SQL, and also a host of other metrics like SQL by industry, geography, company size, etc. SQLs are the lifeblood of your business, as these are the truly qualified leads that you are about to set your expensive salespeople loose on. You need to understand where they come from, how they are made up, and how you can get more of them.

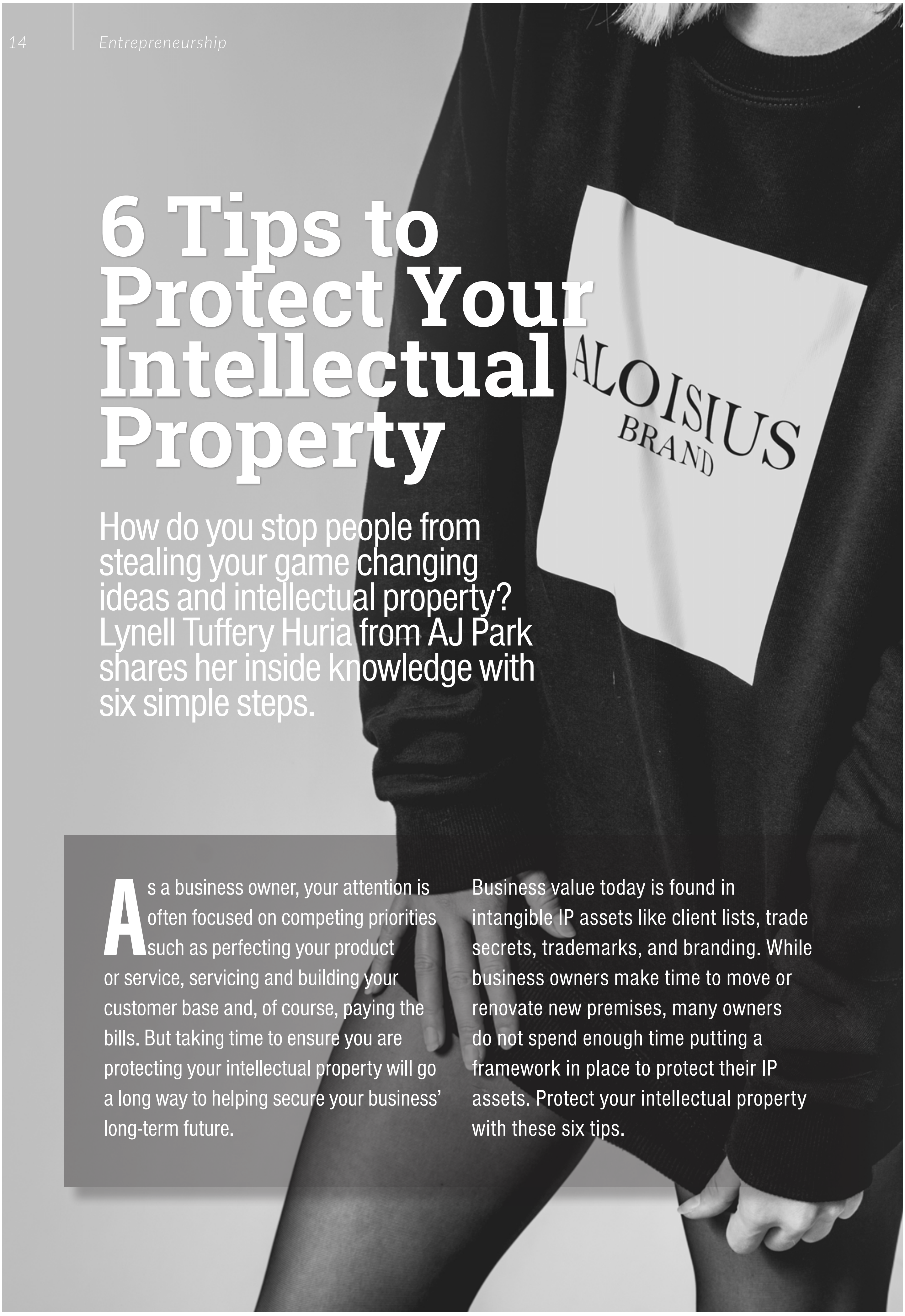
This is the point of the handover from the BDR team to the AE team, and also the point where the lead is converted into an opportunity in Salesforce.

The really important thing to understand and to remember from all of this is to always measure everything.

The really important thing to understand and to remember from all of this is to always measure everything. As you build and instrument your sales machine, think about how you can measure the flow of leads, and think even harder about what that data can tell you. Then use the data, display it publicly, talk about it daily, explain it to everyone, and use it to make informed decisions.

If you measure well and make informed incremental improvements based on the data, then you have true continuous improvement, and who can ask for more than that! •

Angus Chudleigh is a growth stage specialist, with 15+ years of direct experience in building, managing, and advising software companies on growth in the UK, the US, and Asia; currently with RingMD.



6 Tips to Protect Your Intellectual Property

How do you stop people from stealing your game changing ideas and intellectual property? Lynell Tuffery Huria from AJ Park shares her inside knowledge with six simple steps.

As a business owner, your attention is often focused on competing priorities such as perfecting your product or service, servicing and building your customer base and, of course, paying the bills. But taking time to ensure you are protecting your intellectual property will go a long way to helping secure your business' long-term future.

Business value today is found in intangible IP assets like client lists, trade secrets, trademarks, and branding. While business owners make time to move or renovate new premises, many owners do not spend enough time putting a framework in place to protect their IP assets. Protect your intellectual property with these six tips.

1 Choose a brand that you can protect and enforce

While it's easy to choose a brand that tells you exactly what the product or service is, these brands are difficult to protect and enforce against others. Choosing a unique and unusual brand will provide you with a strong trademark that you can easily enforce.

2 Check to make sure others are not using the same brand

Launching your brand without checking others' rights is risky. If someone else has protected or is using your brand, then your investment in signage, posters, and promotional material could be lost and/ or you could be required to defend a court action against you.

Checking to make sure you can use and register your brand before you launch your product or business is important.

3 The key to patent or design protection is secrecy

If you think you have a new product that could be protected by a patent or design, then do not show the product to anyone unless you have a nondisclosure agreement in place. Disclosure of your patent or design to a third party without a non-disclosure agreement will destroy any novelty in the product and could prevent you from securing patent or design protection.

4 Product is not protected

As with brands, launching your product without checking others' rights is risky. Even if you do not think you will file any patent or design applications, carrying out a freedom to operate (FTO) search to make sure you can sell your product in a particular market or territory is important.

5 Copyright protection is free

Copyright is a form of IP protection that is free in New Zealand and Australia, and automatically exists in any copyright work created. Protection is best achieved if you ensure you include the © symbol, date, and author of the work on the work when it is created.

6 If you need help, contact an IP advisor

An IP advisor can help you develop an IP strategy that is right for you. A good IP advisor will ensure you invest only where you need to. Obtaining the right advice that fits with your business strategy can help safeguard your business for the future. •

Lynell Tuffery Huria is a special counsel trademark advisor at AJ Park, and helps business owners maximise their brand assets in New Zealand and overseas.

STARTUP WATCH

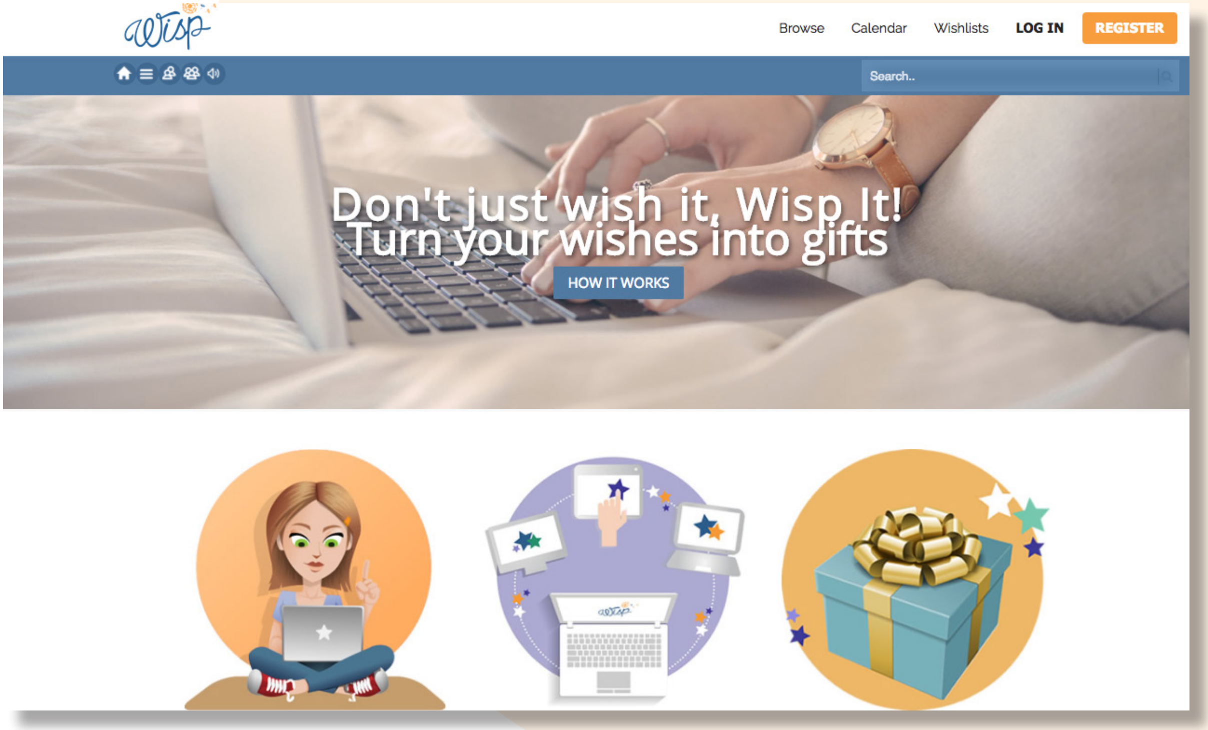
NEW ZEALAND IS A HOTBED OF ENTREPRENEURIAL GOODNESS

Each week we profile a startup we're watching across a range of industries

Wisp

FOUNDER: Gemma Thompson

HQ: Wanaka



Tell us about your business...

Wisp is a wish list making website. Its main objective is to stop getting really naff presents from the people you love. All that is required is to browse the internet, select a few wish pressies and add them to your account using our bookmarklet or plugin. Family and friends can then go to your wish page and pick which pressie they would like to buy for you. The site links you straight to the website, making buying super easy!

Who and where are your target customers?

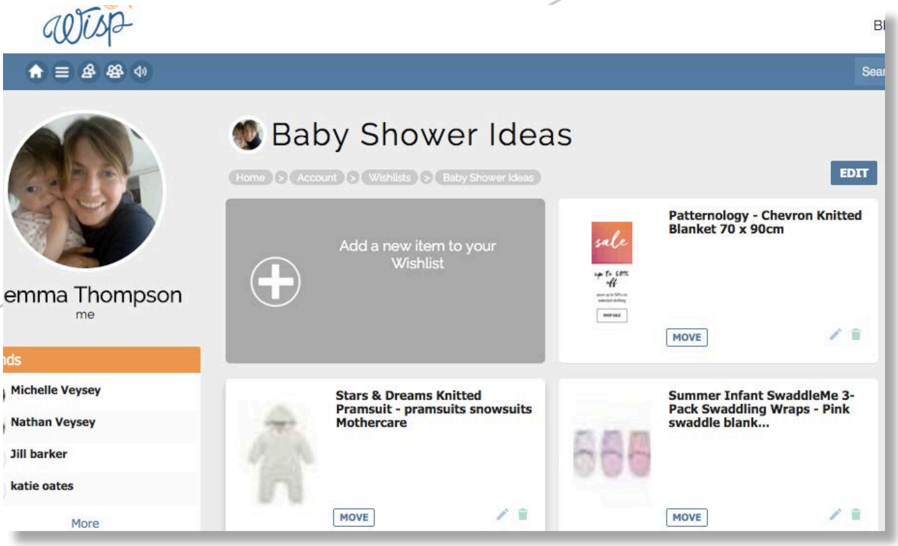
Anyone who wants to create a list of gifts to share for any occasion! Weddings, baby showers, birthdays, Christmas, house warmings, the list goes on and on.

Who, how and when did you first come up with the idea for your business?

Well, for me personally, it was about really hitting home to my partner that I didn't want him to rush out and buy me something utterly random THE DAY BEFORE my birthday, especially when we live in a place where there are no present buying shops. I was pretty sick of getting crap face cream, chocolates and weird soap. Hence Wisp was born!

What is your biggest unique selling point?

You can add any gift from any website, anywhere around the world and share your list with anyone you want.



What's been the biggest challenge you've faced in building your business so far?

The marketing side of things, 'getting the word' out there. As Wisp is most successful when a group of people use it together, for example a group of family and friends buying presents for each other, the hardest part is getting that 'group' to join, as opposed to just individuals. However, in recent market research we have noticed that individuals have been making lists for themselves, for example, when they are renovating their kitchen they will make a list of products they have been looking at.

We have also noticed companies have begun to use the service, for instance a few preschools have made Wisplists for the toys, books etc they need, and they have reported that parents wishing to donate will now look at the Wisplist to see what the centre needs.

Ultimately, our biggest challenge is getting the growth rate of users to increase at a faster pace.

What are three things about your business that you are proud of?

1. Our concept
2. Our achievements – we are continuously expanding each week
3. Flexibility – lists of products can be used for anything – house renovation, a wedding registry, charity wishlists to be shared to grant givers – the lists are (literally) endless

What is the biggest entrepreneur lesson you would like to share with other Kiwis thinking of starting their own business?

Time is crucial, make every moment constructive. There is so much to learn when starting a small business and mistakes are inevitable. Learn from them, be reflective and move on. •

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QUICK FIX

Don’t bag the competition

When in pursuit of a new client, don’t bag the competition. Remember that you have competitors; your prospect has alternatives.

By putting down the competition you run the risk of being seen as unprofessional, and perhaps a desperate salesperson making a vain attempt to make yourself look good. Politicians do it all the time – does it make you trust them?

You will soon break trust if your prospect has previous good experience with your competitor too. All this could result in you being taken off the prospects list of alternatives.

You should however be asking what alternatives the prospect is considering so that you can position the value of your offer or solution. Differentiate from your competition by focusing on the value you can provide to meet the prospect’s decision criteria and there will be no need to sling mud at your competition. •

"[All] Brains have a Rational Decision-Maker in them, but the procrastinator's brain also has an Instant Gratification Monkey."

Tim Urban, **Ted Talk**

WATCH IT HERE: ***'Inside the Mind of a Master Procrastinator'***