Brand Equity – Increase Your Business Value Now and When Your Sell Your Business

When we talk about the valuation of the business, typically we discuss the company's hard assets or "tangible" assets. As you might expect, a tangible asset is one that you can touch — property, inventory or staff.

When we present a company to a prospective buyer we also highlight intangible assets. Intangible assets include reputation, diversity of customer base, industry expertise, training and development potential. Often intangibles do not directly impact the business value on paper, but play a critical role in the buyer's assessment of value.

And, brand strength often is the most important intangible of all.

Building a reputation around the business, not an individual, is important in the long run. If Big Ted's Bakery is only successful because people love Big Ted, when he leaves, there is no guarantee that the customers will stay. Your brand is more valuable and, frankly, more successful if the brand hinges upon the company or the product. If people come to Big Ted's Bakery because the brand has the best cupcakes in town, and if during the sale of the bakery, Big Ted agrees to sell his famous cupcake recipe as part of the deal, the buyer sees a big plus in brand recognition and the ability to continue to profit from it.

Experienced buyers know there is greater value in buying a business with a successful branding & marketing plan for four reasons:

1.) **Awareness**: When a company has launched and maintained a strong, branded marketing campaign, they have made a name for themselves in the marketplace. After time the campaign established credibility and takes the company past the costly introduction phase of becoming known as a brand. And the size of the campaign matters! For example, Big Ted's is worth more to a buyer he has deployed a multi-channel strategic marketing campaign that includes elements like: A Facebook page that offers fan discounts; a modern website with informational articles and daily specials: radio and/or television ad campaigns that draw in the crowds.

2.) **Credibility**: A well-branded company gives a buyer a sense of security. They know that the target consumer base covered. When a company knows who their customers are, there is credibility and trust between buyer and seller.

3.) **Reputation**: A good consumer reputation is not something that happens overnight, so building that reputation and associating it with the brand adds additional value to the business.

4.) **Consumer Satisfaction**: Once a brand is established, it is important to attach the customer loyalty and customer experience to that brand. This is done with the individual customer and through marketing techniques like testimonials and online reviews. Promoting the positive feedback of satisfied customers delivers a message of superior customer service and a solid reputation. When the brand is associated with that type of customer experience, it makes the business more appealing to future customer AND prospective buyers.

While it is absolutely true that annual revenue, transferable contracts and other financials can heavily influence a business valuation. Never underestimate the value of powerful branding.

United Health Care Capital is committed to helping small business owners with valuations, business transition and exit plan strategy. If you are interested in learning more, contact United HealthCare Capital to see how we can assist with your business transition and exit planning.

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