



Due diligence before the deal

Do your homework before buying a business

EVERY DAY ACROSS AMERICA, businesses are bought and sold. Some sellers are looking at retirement for a cash-out for their hard work. Some are running a distressed business and need out.

People who buy those businesses range from successful entrepreneurs who want to add to their arsenal of success, private equity firms looking to generate above-average returns for investors, venture capitalists, or existing businesses looking to make strategic acquisitions.

In a recent article in the Harvard Business Review, authors Paul Gompers and Stephen Kaplan concluded, after multiple interviews, that most VCs look closely at the potential internal rate of return in making the decision of which companies to acquire. Ultimately, they are looking for a potential successful IPO exit.

Private equity investors typically target an average of a 22% internal rate of return to produce returns to their investors' satisfaction.

Ann Hanna, managing director of Milwaukee-based private equity firm the Taureau Group, indicates PE investors look for healthy organizations with solid leadership, a positive growth outlook, and profitability, in addition to a strong reputation in their market. Their firm has a track record of success with its approach.

Robyn Levin acquired a Florida ice arena and turned it into a real gold mine. A Florida ice arena is not an oxymoron. Her innovative approach provides a lesson for everyone.

Robyn comes from a family of ice skaters, and she herself skated and competed in her youth. She stumbled on a potential ice arena for sale while on a family vacation in Florida. Robyn had fond memories of her ice skating experience. So, she started doing her homework.

First, she studied the industry and consumer trends. She found that many Northerners were moving to the state of Florida and bringing with them fond memories of their days as figure skaters, hockey players or recreational

users of their local ice rinks. They wanted to re-create that experience for their children.

Next, she did a feasibility study by interviewing owners of successful ice rinks and other customer research sources to understand the market opportunity and risks fully.

Then she looked for a business that was not taking advantage of the market opportunities. She identified a business that was doing just the opposite. As a result, she was able to acquire a struggling ice arena without having to break the bank.

She developed a strategic game plan before she acquired it. She took advantage of technology and PR to spread the word about the new look to this business. She had marketing savvy and created a brand that appealed to those Northerners wanting the ice skating experience for their children or grandchildren.

She looked for strategic partnerships that allowed her to draw new revenues and enhance her facility's brand. She forged a partnership with an NHL team in Florida to sublet part of the arena for their practice facility, allowing her to advertise and promote that enhanced image. She also opened a retail shop and sports bar in the complex.

After a successful run, she was able to sell the business for a serious profit.

There are also lessons we can take away from Robyn's next business venture. She again did her homework and moved to San Francisco, the epicenter of new technology at the start of the internet explosion.

It didn't take long to conclude that video marketing would be the wave of the future, and she now specializes in helping clients utilize the advantage of that technology as part of a PR strategy.

Many of her clients tripled their assets and have been featured in the New York Times, Money magazine, and the Wall Street Journal.

She developed and trademarked a "CocktailNapkinPlan" position for any client want-

ing to grow their company through PR and video marketing.

Her point is simple: By 2022, Cisco's research indicates that 82% of all internet traffic will be through video marketing. Video gets 1,200% more shares than photos or text combined!

She is now a marketing and PR consultant. You can check out her website for more information: robynlevinmedia.com.

We live in a world where everything is being disrupted, and it is no different in the world of acquisitions or how to market a new business or existing business.

Your company may not be wired to do that kind of homework, but Robyn proved it's possible, so there's no reason you can't learn from her approach. ■



DAN STEINGER

Dan Steinger is an author, national and international speaker, and business advisor. He is president of Steinger & Associates LLC, which helps companies drive innovation. He can be reached at DStein@execpc.com.