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# trekking

practical strategic thinking and action  
newsletter issue #73

## Getting Ready to Sell in 2012+

At the March 2010 Exit Planning Exchange (XPX) [Summit](#), the lunchtime keynote speaker was investment banker and author Rob Slee. Rob is something of a visionary. He has intriguing ideas about new business models, insight into the changes that have shaped business today and how our competitive market has become "U.S. against the world".

In his presentation to XPX, Rob described what he calls the "**U.S. Ten Year Transfer Cycle**" and explains why this transfer cycle is so important to business owners. Rob points out that in the past three decades (the 80's, 90's and whatever we end up calling the first decade of this century), we have experienced a very similar economic pattern that seems to be moving in a ten year cycle. This cycle accounts for our most recent recession that began in 2008 and, hopefully, we seem to slowly be escaping.

This means that the current market is primed for buyers and will remain a 'buyers' market' until 2012. Around that point, financing should flow again from banks to potential buyers, generating higher prices for companies and resulting in more of a seller's market. Of course there are no guarantees, but assuming this is the case how should business owners prepare?

## a different approach

To be ready for the "up" cycle, look at three areas:

**1) top line revenues** - After all the cost cutting most businesses did in 2007-2009, companies should now be looking to grow the top line again. Potential buyers will look for positive trends in revenues and profits entering the next selling cycle. Remember, you can't grow by cutting. It's time for corporate investment on many levels and time to incorporate new ways of thinking to get values up and businesses back on their feet and hiring. Time is ticking--the seller's market is only a couple of years away...

**2) international** - Any competitive analysis by a business owner in today's market has to take into account foreign competition for both manufacturing and services. It is no secret that the BRIC (Brazil, Russia, India, and China) nations have been exploiting their vast raw materials and cheap labor to take market share away from U.S. businesses for decades. Business owners need to be on the defense - looking ahead the next five years they must be self-critical and analytical in order to envision how they can combat this competition.

**3) intangible capital** - Finally, we espouse the under-appreciated importance of intangible capital: the human, relational, and structural capital of a business. These assets accounted for 70% of the average merger in the past cycle and will play an even greater role in the future. In your self-analysis, focus on these intangible assets and you will uncover the power and potential of your business.

## reading list

**Private Capital Markets: Valuation, Capitalization, and Transfer of Private Business Interests** (Wiley Finance)  
by Rob Slee

Rob's first book mentioned above, "[Private Capital Markets](#)", was published in 2004. It is the first book to really document this important sector of American business. In



business schools across the country, public capital markets receive the greatest scrutiny despite the fact that private business is the largest employer and greatest generator of GDP in the country.

Colleges are now starting to teach about Private Capital Markets and using this book

as the text.

As a follow-up to this tome, Rob, through Pepperdine University, authorized a survey of banks, asset-based lenders, mezzanine, private equity, venture capital, hedge funds, business owners and other capital providers. The purpose of the survey was to understand the true cost of capital in the private business world, a heretofore little examined area. He will reveal and analyze the results of this survey at the [Alliance of Merger & Acquisition Advisors](#) Summer Conference on July 20 at the Chicago Hilton.

## announcements



Our book [Intangible Capital - Putting Knowledge to Work in the 21st Century Organization](#) will be released next week. More on that in the coming



days!

On Wednesday, May 12, the Exit Planning Exchange Connecticut chapter will have a [breakfast](#) in Westport, CT with a panel discussing "The Top 10 Things Every Business Owner Must Know Before Their Exit". Panelists will include: Ken Ducey from Fairfield Capital (business sales and valuations), Jim Malski from Action Coach (business coach), Ryan Sheppard, Michael J Knight (CPA), Rob Teicher of Brody Wilkinson (tax-T&E) and Tom Walsh of Brody Wilkinson (corporate law).



On Wednesday, May 19 at Babson College in Wellesley, MA there will be an XPX Roundtable on Human Capital. This [workshop](#) will use a case study to examine issues facing a company and to determine which might be best solved by human capital experts or by teams that include them. The workshop will be led by XPX Boston members Bonni Carson DiMatteo, Katharine White and Harvey Wigder.



XPX-Boston Member [dinner](#) - Thursday evening, May 27 at Papa Razzi, 16 Washington St., Wellesley, MA.



Trek Consulting is proud to announce that our Trekking newsletter was named a 2009 Constant Contact All Star!

### about trek consulting

Trek works with owner-managed businesses to develop and execute action plans for growth. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm's value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at [www.trekconsulting.com](http://www.trekconsulting.com) or call us at 781.729.1008.

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