

GABB Today

Volume 104 Issue 4 Newsletter of the GA Association of Business Brokers May 2004

from your President

Occasionally, we all see an article that we feel is worth repeating for its straightforward and simplistic message. I recently read Jacqueline Ossin's, "MY BEST PRACTICES IN DOING DEALS", published in a weekly IBBA communication and I asked her permission to repeat her article in our monthly newsletter. Jacqueline Ossin is a licensed Broker/Associate with Corporate Investment International headquartered in Orlando, Florida. For more detail, on Jacqueline and her firm, please visit their website at www.ciibrokers.com. The article is as follows:

My Best Business Practices:

1. Be Fair. As a transaction broker it is our job to make a fair deal. A fair deal will bring you business through referrals. I explain to my clients that if the deal is not fair, it will blow up. Owners respect this frank approach. There must be a win-win situation for both parties. For example, three years ago I was working on the sale of a furniture store and the seller received an offer for all cash and full price. In the course of due diligence it was discovered that there was about \$3,500 in six-year-old inventory that had been sitting on the showroom floor. The buyer didn't want to pay for it. The seller insisted that it would sell this year due to "trends". My suggestion was for the price to be reduced by the \$3,500 and the seller to consign the furniture to the buyer. They did. The furniture did sell that year and

was paid. Both buyer and seller were happy.

2. Be Open. Our clients come to us for expert advice. They need to know what we know and why we *think* the way we do. I give the good, the bad, and the ugly right up front. It will come out sooner or later so why wait? Get it over with and don't be afraid to say, "This is the worst deal ever," or "Don't walk away...RUN." My clients are never upset with me when I tell them what I or what I think their next step should be. Ultimately, only the buyer can make the decision to purchase and only the seller can accept an offer. In any case, you must make it clear that you will support and help them with any decision they make. Not too long ago there was a bakery in town for sale doing about \$1.5M in sales with earnings of about \$450k. It had pristine books and records for three years showing a 12% increase each year. However, as perfect as the books were, the numbers and percentages to me didn't make sense. When my client asked my opinion, I told them there was something that I just couldn't put my finger on. I just didn't feel comfortable with it. Later that year a public company bought the bakery. It closed in less than a year. It ended up that the books and records were completely over-stated and that the seller had paid excess taxes to put greater numbers in the tax return. If I didn't speak up, my client could have invested in a risky business.

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MEETING NOTICE:

Tuesday, May 25, 2004, 10:30 AM

The DeKalb BOARD OF REALTORS

1414 Montreal Road, Tucker 30084-8140

770 410-7582 ♦ www.gabb.org

Speaker:

Gary Coulter, Esq.

"Keeping the Deal On Track with Tax Liens and Encumbrances"

from your President

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3. Serve Your Client- But Don't Be a Servant. People need hand-holding. Even in the M&A deals. Recently, I sold a pet bakery and the buyers wanted to purchase the company and move it to Indiana. We did this transaction all in one week from contract to close. And yes, I pitched in and offered to help. I arranged the move, helped with the credit card company, and carried out the closing at a convenient time for everyone which happened to be Superbowl Sunday. If we are going to get paid a high fee, we must prove we deserve it.

4. Get Excited! We are in an exciting economy in the United States and in the world. Business makes the world go round. Get excited about capitalism, a free market, and a place where there are millions of ways to make money. If you are not excited about a business, why should that owner hire you to sell their business? If you are not excited to show this organization to another person, don't do it. You are wasting your time and their time. Follow your passion in this business and you will be a success. For me, business is booming. I have a listing this year where the sellers have been holding out until their financial numbers improve and they have dramatically. There is always opportunity in this market because people still get sick, decide to retire, need to expand, or leave their job!

5. Follow-up! I can't stress this practice enough. We are in a relationship and service business. Clients need to see your face, hear your voice, and must know that you are there for them. I send my clients thank you notes, visit them, refer their business to friends and strangers and even support their business. Most importantly, when you say you are going to call, then call. Don't make up an excuse. Last year I sold a medical staffing business. I had been after this company for four years. I called them periodically and received updates on how the company was doing. My ACT database allows me to make notes on the conversation and it will remind me weeks and months later to follow up. I called them in September and the owner said to call in one month. When I called in October I listed the business and had it under contract in three weeks. It closed in mid-December. Needless to say, at closing they congratulated me on my persistence and told me they wouldn't have considered

using anyone else since I had been so aggressive. (I took it as a compliment).

6. Take Action! Take Initiative. If you don't know the answer, tell them you don't know but you will find out. Use your resources...agents in your company and other companies along with other professionals. Do your homework for your valuations. We are the "artists" in this business and more than half the time we get the deal just by showing up and looking presentable. Why not make a small effort and wow them? I am working on a \$4MM M&A deal that is under LOI right now. I knew that this company was over my head. I invited another agent in our office to participate in the deal and gave him half of the commission for working on it with me. We needed to "wow" the seller. His talents and knowledge enabled us to get the deal instead of the seller going elsewhere. For this deal, I didn't know all of the answers and I was willing to pay a colleague to get it.

7. Education. I believe in continuous education. This means getting your CBI and taking every possible class on business brokerage and anything related to your career. The more you know, the more your clients needs you and the more business you will create for yourself. Even if you have already taken a class, you are guaranteed to learn even more when you take it the second time. Most of all, when you explain to a seller your educational credentials versus your competitors without the CBI, it makes them think and feel they are getting a more experienced individual...and they are. I have received many referrals from IBBA members. My favorite was a large fitness facility from a broker in Miami. I listed and sold the business in three months and sent her a referral check for \$6,500. Needless to say, I receive all of her Orlando referrals. I made enough on that deal to pay for my IBBA courses and membership for 20+ years. Ask yourself when signing up for the CBI Program: Can I really afford to miss out on the connections and knowledge from IBBA? *Author: Jacqueline Ossin*
Thank you Jackie for sharing your insights with us. I look forward to seeing all of you at our next GABB Meeting on Tuesday, May 25, 2004.

Pat Harkins

Important Notice
Orientation Program May 25, 2004
12 pm-5 pm (following the monthly meeting)
DeKalb Board of Realtors

**Ken Stebbins will conduct a BBMS class
as a part of the orientation.**

All GABB Broker Members (Active Members) or agents of brokers (Associate Members) who have not attended a GABB Member Orientation program MUST attend the upcoming program in order to fulfill a requirement of membership in the association. You are considered a probationary member until you have attended an Orientation. The last Orientation was April 29, 2003, so if you have joined since then you need to attend. EVERYONE is invited, even if you are not new, but would like a refresher of GABB systems and procedures, or you have any questions on co-brokering, standard forms, or the Code of Ethics.

This is for YOUR benefit. It is important that you understand the co-brokering procedures and requirements and can use the BBMS if you want to be a successful, productive brokering member of GABB.

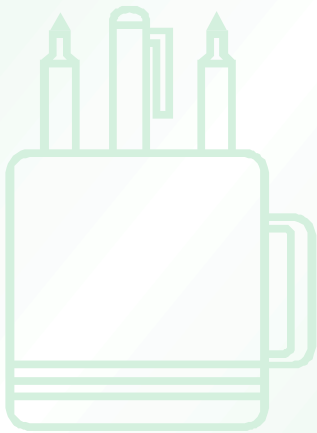
*Lunch will be provided at no charge for all those attending
that are pre-registered with Hank Tanner.*

**Please e-mail Hank Tanner to register or with any
questions about the meeting:**

nationalbusiness@mindspring.com

PLEASE WELCOME NEW & PENDING MEMBERS:

- Active:** **Paula Byrd**
Metrobrokers GMAC
Roswell, Georgia
404-843-2500
- Thad Brasfield**
Brasfield Business Investments
Winder, Georgia
770-868-0781
- Affiliate:** **Jim Barnes**
A&B Commercial Investments
Duluth, Georgia
678-781-8340
- Germaine Curtin**
Curtin & Galt LLD
Atlanta, Georgia
404-869-0122
- Pending:** **Dick Warren** (active)
Metrobrokers GMAC
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404-843-2500
- Ken Cortes** (active)
Venture Resources
Buford, Georgia
706-268-1550
- Parupkar Gill & Howard Waites** (active)
Prudential Georgia Realty
Marietta, Georgia
770-973-8822
- Mark Spalding & Divyesh Patel** (active)
Metrobrokers GMAC
Roswell, Georgia
404-843-2500
- Thomas MacPherson** (active)
Summit Acquisition Group LLC
Roswell, Georgia
770-753-4323



EDITORS NOTE

I recently read one of the most memorable statements of the 20th century. It was made by philosopher George Santayana....

"Those who cannot remember the past are condemned to repeat it."

How does that apply to us as professionals in our industry? Just food for thought!



Affiliate Spotlight: Todd Morrell, CBA **770.316.5306**
Morrell & Browning, LLC **tmorrell@morrell-browning.com**

GABB Member since 2000

Certified Business Appraiser valuing private companies for 15 years
 Since I mentioned fishing and wildlife habitat restoration last year,
 I'll give this year's spotlight a more educational touch.

Diverse Industries...One thing in common

What do companies in these diverse industries have in common?

Dry Cleaning -- Industrial Machinery Supply -- E-Learning

They all compete in markets described as fragmented. A fragmented market has a relatively large number of competitors. A fragmented market is best understood by its stage in a market life-cycle that includes growth, maturity, and decline. Let's look at these fragmented markets in this light.

The **Dry Cleaning** market is mature, with the classic traits of market saturation, intense price competition and almost no product innovation. Vertical integration is significant, and cleaning plants regularly command a price at or slightly above annual revenues. Divestiture of marginally profitable pick-up locations is frequent, with pick-up locations trading significantly below their annual revenues. Some revenue growth can be achieved by acquisition, or by opening new locations in the sprawling outskirts of major population centers.

The **Industrial Machinery Supply** market exhibits many of the same mature traits. However in many segments, technology is rejuvenating growth. Continued improvements in energy efficiency, and materials and labor utilization are providing the motivation to replace machinery earlier (Yes! even in the face of today's capital expenditures crunch). System testing and auditing services that cut costs are also on the rise.

In the machinery supply market, there is often a double incentive for acquisition 1) to grow annual revenues and 2) to reduce expenses in response to squeezed profits. Transactions resulting in horizontal and vertical integration continue to occur in this market, although at a slower pace than the end of the last millennium.

The **E-learning/educational software** market remains in an infant growth stage. Many companies are developing a large number of educational software products from high to very poor quality as they carve out small but profitable portions of a very large market. In most other markets, the decision to acquire is weighed against internal development. However in this market, acquisition is usually combined with internal development. Cost reduction provides little incentive for acquisitions. The incentive to synergistic buyers can be huge in this market when niche dominance or broad name-recognition is at stake. Can you spell S-Y-N-E-R-G-Y?

Cycles of Consolidation and Fragmentation

Maturing markets are often fragmented as growth slows, successful products and services are imitated and offered at lower prices, and the market splits into progressively smaller segments. In maturity, a market often swings from fragmented to consolidated and back again.

Consolidation is brought about by competition, i.e. innovation in new products, and acquisition acting to consume market share. Refragmentation often occurs when products are copied, patents expire, and for various other reasons including the divestiture of marginally profitable operating units.

Why are savvy brokers concerned with the current states of fragmentation/consolidation and life cycle of an industry? Simple. They are keys to understanding the industry, competition, and the motivations of buyers and sellers.

As always your comments are welcome. Feel free to call me at 770.316.5306.

GABB TODAY

Georgia Association of Business Brokers
1414 Montreal Road
Tucker, Georgia 30084-8140

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