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Strategic PLANNING

When properly executed, strategic planning allows your business to become a vehicle for creating substantial long-term wealth.

By Lance Tullius, The Tullius Company, Inc.

I think it's a safe bet to suggest that nearly all of us are looking to build or enhance our wealth in one form or another. While *wealth* isn't necessarily defined in only financial terms, most of us see our financial wealth as a prime vehicle to securing other types of wealth. Accordingly, most business owners view their business interests as one of the, if not *the*, major means to bettering their personal wealth. In other words, creating and building value in our own business is for most the single greatest means to generating financial wealth. Financial wealth, among other things, provides us and our families with security, opportunity and the capacity to give and help others. ▶

PHOTO BY ZIGY KALUZYNY/STONE

Theoretically, there are an infinite number of directions in which a company can move. In reality however, the resources to support these types of efforts are finite, particularly time and money resources.

If this line of reasoning is valid, then how are most business owners in today's world going about creating and building value? Well, they get up in the morning, go to work, drill down their "to do" list, manage people, do what they think they should to grow the business, and hope that by these efforts they're building value. In most cases, the business does improve, does grow, and the owner takes out a relatively nice salary. Yet truly *building value* is left to chance. This approach might have made more sense in the 1960s and '70s, before the merger and acquisition hysteria of the '80s and beyond. But with the level of strategic opportunity available in today's global business environment, it makes no sense, and isn't really much different than just throwing away money.

As technology has continued to improve and expand, the world has effectively become one large market, with business opportunities abounding in all markets across all industries. One can hardly read the morning newspaper or watch the evening news without hearing of some merger, acquisition, sale or joint venture between two companies. This activity is just as rampant among small and mid-size companies. Yet with all this said, most companies today have no proactive plan for taking advantage of this climate and maximizing the value of their business.

Beyond a Business Plan

The fundamental ingredient to building sustainable business value lies first in planning, often referred to as strategic planning. Mind you, a business plan is *not* a strategic plan. While a good business plan will contain some of what goes into a strategic plan, the business plan is more a description of what the business is and why it is viable, whereas a strategic plan takes into account where the business is today, and most importantly charts that most viable course for building long-term value, and then capturing that value in some particular exiting event. In fact, a good strategic plan can contain more than one scenario for building value, but at its core it's about how one will take a business as it stands today and execute one or more particular strategies, so that the business becomes a vehicle for creating substantial long-term wealth.

So what should go into a useful strategic plan? The creator of the strategic plan should first have a sound understanding of the position the particular business is in today, as well as its strengths and weaknesses. An overall "inventory" of the business should be taken, paying specific attention to areas such as management/personnel (the primary means to any successful value building effort), the financial capitalization of the business, its competitive position and the direction of

the broader markets that likely impact the business. A market valuation of the company should also be done as part of this process to determine the current value of the company. This is important as it will essentially serve as a barometer for making any one strategic move or even perhaps heading in a particular strategic direction from the outset. Really, no move should be made unless it can be reasonably demonstrated that the move will accrete company value. Because decisions will be made not only based on whether value is added, but also on what the company's value is at any given time, this initial market valuation will serve as a base valuation.

Understanding where the business is and what its strengths and weaknesses are might be fairly simple, but where to take it from there involves a special combination of skill and expertise. Theoretically, there are an infinite number of directions in which a company can move. In reality however, the resources to support these types of efforts are finite, particularly time and money resources. The expertise therefore lies in identifying, evaluating and then selecting that strategy that can be reasonably executed by your company, and also offers the optimum cost-benefit relationship. Frankly, your ability to reach your value objectives successfully will absolutely depend on this expertise. So if you don't have it among your existing management/personnel base, go find it!

Assessing Value

In the identification and evaluation process, it's important to assess what the market recognizes as value in your particular industry. For instance, relative to home and office bottled water businesses, value is greatly recognized as a function of

such characteristics as the predictability of a company's revenues, its delivery route density, its market density, as well as revenue/profitability per account figures. While no business can change what it has done yesterday, tough decisions will often be faced as to whether the business should do things a lot or a little different in the future, or exactly the same as it has done in the past.

Many of these decisions will create internal conflict within the company's management and ownership. Take the revenue per account measure for example. As a rule of thumb, the market recognizes those companies with the highest revenue per account fig-

ures as being most valuable. Among other aspects that are generally accepted in the home and office business as producing higher revenue per account include selling 5-gallon bottles as opposed to smaller sizes, renting water coolers rather than selling them or doing neither, and offering a competitively but appropriately priced product instead of undercutting the market's pricing. The easy answer then would be to incorporate these practices into your own business if you haven't already done so. And depending on the circumstances and a company's specific objectives, that may be among the best means to maximizing the value of the business.

On the other hand, most of us believe that to gain competitive advantages in our respective markets, we must differentiate ourselves from our competitors. While differentiation can be measured in a lot of ways, in some cases too much differentiation can in fact devalue our business. In summary, to have value we must have a market that is external from us and our business, and that collective market may not view the business in the same manner you do. Those who recognize and can successfully sift through these elements to the strategic planning and execution process will be most successful.

Executing the Strategy

The identification and evaluation process can be quite complex, as you attempt to determine, for instance, whether the

resources are available for a company to grow, if the desired growth should come from acquisitions versus organic growth, or perhaps whether a company should expand beyond its existing market or service categories. Pulling the trigger on the best and most viable strategy can be equally difficult. Executing the chosen strategy though, is a whole different ballgame. Some of us plan well, others are great taskmasters, and finally some simply know how to execute a plan. Execution is not rocket science, but it certainly takes a special breed to do it right and effectively. There will *always* be a demand for those who do it well. The best plan in the world will mean nothing without proper execution. Certain people just have a knack and uncanny ability to execute effectively. It's skill, instinct and experience rolled up in one. However you do it, you must surround yourself with people who can execute, and they should be a part of your team.

In the end, the rewards you reap from the time and money you invest in your business boil down to planning and execution. Whether you plan on exiting within the next year, five years, or even longer, it's never too early to craft a dedicated plan toward amassing value. The things you're doing right now relative to your business are impacting its value. The question is, how are they impacting your value. Look in the mirror; finding the answers starts with that person looking back at you. ●

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