



12 Questions To Ask About Potential Acquisitions

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Ask yourself honestly, did you actively target and seek out your last acquisition, or did you take what came along for sale? If you just sheepishly realized you've been more reactive in your past acquisitions than proactive, don't be embarrassed because you are in good company with most marketers. Before you move on to the next acquisition, use these 12 critical questions to guide you to exactly the right company you should buy next.

1) How much more volume can we handle? You may have the perfect systems in place to catapult your company to four times its present volume. Or, you could be like one marketer who gobbled up a bigger competitor, only to discover his worst nightmare. His trusted software, the system that had served him so well for years, literally couldn't absorb the new accounts. Take a hard look at your business systems capacity and then set a maximum volume addition you can handle right now.

2) What size transactions can we handle? A small lubes marketer purchased another marketer because he wanted their big bulk oil business. He quickly discovered no one in his company really had a clue how large, bid, bulk oil marketing worked. Sadly, he lost much of the business before he figured it out. Be realistic about the size and complexity of transactions you can take on and successfully execute with your service standard of excellence.

3) What geography do we want and can we handle? The further your acquisition is from your existing operations, the more challenging the remote management. However, it may be very worth your while to purchase in a hot, expanding market, especially if your present marketplace is stagnant. List the hot areas you want to enter. When considering remote stores, buy enough of them to support a regional manager. You'll benefit from local oversight.

4) What type of business do we want? Some marketers will benefit most by diversifying their business lines, while others will achieve the best ROI by leveraging their current lines. Make sure you are clear on what approach will provide the greatest benefit to your company and then target those companies.

5) What equipment or facilities am I missing that I need? For instance, if you are short on fuel storage, it makes sense to target competitors who have the storage capacity you need. Take a hard look at your assets and ask what's missing that you could get through a strategic acquisition. List all your needs and who you think has them.

6) What are our financing limitations? It's great to look at a \$100 million business, but if you only qualify for \$5 million in loans, you've wasted your time. Have a serious heart to heart chat with your banker about your expansion plans to find out what level of debt they see as feasible for you. If dissatisfied with their answer, it's wise to seek a second opinion, as some lenders are wary of high growth. Know your top number, though, before you go knocking on doors.

7) What brands do I need? Targeted acquisitions can quickly multiply your brands. Make a list of the brands you want and who has them. Stay mindful of brand volume requirements and discounts. Extra brands don't help if you don't have the volume needed for best price.

8) What competition can I remove that would improve my margins immediately? If there is a low-ball marketer in your area that is suppressing prices, target that company for buy-out. If successful, not only will you get volume and new margin, but you will boost your own bottom-line to boot.

9) Where I am lacking purchasing clout? Carefully examine your existing supplier relationships. Where are you lacking clout? Can you buy that clout? List who you think may have the clout you need.

10) Where am I simply inefficient? You likely know your own Achilles Heel. Is there a marketer you can purchase who excels in your weakness? For instance, if you know your routing is less than stellar, and you've always admired XYZ Company's keep full system, go buy XYZ! List each inefficiency along with competitors you think excel at each of them.

11) What key employees, talent or expertise am I missing? Are you missing a terrific fuel buyer, or sales manager, or retail division manager, or CFO or ??? If so, list those positions and possible competitor companies you suspect already employ a great person in that job.

12) When do I want to quit this fun? What is your own exit strategy? If you realize you need to grow to survive, but what you really want is to retire in a few years, your target list should include companies with young owners; owners that haven't dreamed of selling, but that you can mentor, catapult their growth, and later turn the reins of your company over to when they and you are ready.

Once you honestly answer these twelve questions, then identify and actively seek your best one or two targets, pursuing them with relentless persistence. You'll be miles ahead of most of your competitors who keep buying only what falls in their laps!