



## 10 things that make your security business more valuable than that of your industry competitors

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The value of your company is partly determined by the industry you are in. For example, cloud-based software companies are generally worth a lot more than traditional manufacturing companies these days.

However, when we analyse businesses in the same industry such as the Security Industry, we still see major variations in company values. So, we data mined the information available to us from our partners at The Value Builder System™ and were able to identify 10 things that will make your Security company more valuable than your competitors.

### 1. Recurring Revenue

The more revenue you have from automatically recurring contracts, licenses, apps or subscriptions, the more valuable your business will be to a buyer. If you can find some form of recurring revenue it will make your company much more valuable than those of your competitors. For an installer that will be service and maintenance contracts and for a manufacturer it could be software licenses.

### 2. Something Different

Buyers buy what they cannot easily replicate on their own, which means companies with a unique product or service that is difficult for a competitor to copy are more valuable than a company that sells the same commodity as everyone else in the security industry. Differentiators can be product and feature related or service delivery based or a combination of both.

### 3. Growth

Acquirers looking to fuel their top line revenue growth through acquisition will pay a premium for your business if it is growing much faster than your competitors in the security sector, whether that be installation and maintenance or manufacturing of CCTV, Access control or other products for the security industry.

### 4. Brand visibility

Have you ever wondered why successful brands like Apple, Samsung and BMW all continue to advertise and promote themselves? The answer is simple. They are increasing the value of their brands and their brand equity. If your brand is highly visible and has a good reputation (High Brand Value) then expect to get a premium acquisition offer when you choose to sell and more repeat sales as your brand is front of mind in purchaser's decisions.



## 5. Location and Channels

Location is very important in improving the value of your business. For security installers you need to have engineers available to service your customer base and for manufacturers, location is normally about the sales and distribution channels you use to ensure customers have easy access to your products.

For a potential acquirer having established channels will save them the time and cost of developing a network of resellers and distributors which makes it easy for them to enter the market.

## 6. Diversity

You will no doubt have heard about Pareto's law which is often called the 80/20 rule. Acquirers pay a premium for companies that avoid having 80% of their business with just a few customers as the loss of a single customer can cause major problems. Ensure no customer amounts to more than 20% of your revenue and your company will be more valuable than an industry peer with just a few big customers.

## 7. Predictability

If you've mastered a way to win customers and documented your sales funnel with a predictable set of conversion rates, your secret customer-acquiring formula will make your business more valuable to an acquirer than an industry peer who doesn't have a clue where their next customer will come from.

## 8. Clean Books

Companies that invest in audited statements have financials that are generally viewed by acquirers as more trustworthy and therefore worth more. You may want to get your books reviewed professionally each year by a reputable accountancy firm.

## 9. Loyal staff and management

Companies with a strong management structure and competent staff are more valuable than businesses where all the power and knowledge are in the hands of the owner. Consider creating some standard operating systems and processes to help automate the way you do business.

## 10. Happy Customers

Being able to objectively demonstrate that your customers are happy and intend to re-purchase in the future will make your business more valuable than an industry peer that does not have a means of tracking customer satisfaction.

Like a rising tide which lifts all the boats in the harbor, the security industry typically defines a range of multiples within which your business is likely to sell for; but whether you fall at the bottom or the top of the range comes down to factors that have nothing to *do with what you do, but instead, how you do it.*