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# Want to increase the value of your business? How marketing is your most important investment

Good marketing plays a critical role in enhancing the value of your firm. Not just by increasing your turnover and profitability, but in a range of ways that make it more attractive to anyone looking to buy into the business. They will pay more for a business that has: a clear position, valuable skills, the ability to develop new markets, and unique IP. What RCR calls marketing ensures you have them.

Why does marketing matter to your business? Chances are that, day-to-day, it's all about new business, particularly in these cash-strapped times. At RCR we talk to small business owners and managers every day, and marketing investment usually has to be carefully weighed in terms of the short-term revenue gain it's likely to generate.

What you may not have considered is how your marketing and business development could be adding to the long term value of your company. While a sale may not be on the near horizon, for most business owners that we meet this is part of their longer-term vision.

So if that's the case, how much is your business worth, and how do you ensure that you are increasing that final valuation figure by what you're doing on a daily basis?

At this point you may think of picking up the phone to your accountant, and of course their advice will be critical, but we'd suggest you talk to some experts in marketing and business

development as well. Why? Because of all the functions in your business, it's marketing that is most central to its long term valuation.

Valuing a business is a complex matter, and there are a number of different methods of doing so but, at heart, they all depend on the profitability and the assets of the company, often subject to an industry multiple. While you may not be able to change the industry multiple that applies in your sector, you can affect the profitability and the value of your asset base. We'll look at how your marketing and business development team can play a central role in this a bit further on but, before we do that, let's get some clarity around what we mean by "marketing".

## What is marketing?

Every business gives a slightly different construction to the word 'marketing'. For some, it's a 'cost-centre' of little strategic importance: a function that spends money on brochures, coasters, pens and umbrellas, and often is first to suffer when savings need to be made. For others, it's more

strategic but removed from the day-to-day business of generating new customers (the responsibility of 'sales'), or looking after existing clients (possibly the account team's baby).

***"Marketing is everything you do in your business to generate revenue, profitably"***

For us at RCR, 'marketing' is a useful shorthand for everything you do to generate revenue (and profit) in your business. This means the whole spectrum of activity you might undertake to find new business, convert opportunities and deliver to clients. Equally importantly, 'marketing' is both a function in your business, with staff, budgets, processes and reporting lines, but it's also about the culture and 'attitude' you want to build.

With these definitions in mind, how can marketing help you build the value of your company? Let's look at some of the key factors that potential buyers will consider, in

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## Be creative *and* get organised to create valuable marketing

terms of their ability to generate profit and increased asset value, and how marketing can influence those factors.

### Generating clients and repeat business

Going back to our earlier definition, this is obviously a core part of what marketing is about, and a proven ability to generate new business, time and time again, is worth paying more for if you are buying a business.

What's interesting about the effect of the recession is how many businesses are now taking a much more sophisticated approach to their marketing. In the past, many SMEs relied on their direct sales force to knock on as many doors as possible, but in today's tough market many are realising that they need to do something different.

That 'difference' can involve a huge range of options from integrated thematic campaigns, to email marketing and telemarketing, or perhaps a better focus on your existing client base to generate more revenue at lower cost through repeat sales.

Where the long-term value comes is in recognising that great marketing involves both creativity and organisation. What do we mean by this? Creativity isn't necessarily about being 'whacky'. Sure - printing your law firm's name on condom wrappers and distributing them in night clubs might earn you recognition but are you really reaching the right people at the right time? For most of us, true creativity is about getting inside

your customer's shoes, and understanding what makes them tick. It's about appreciating their needs and wants, and providing a distinctive, cost-effective way to meet them.

Creativity on its own isn't enough though. What creates long-term profitability is the ability to build a marketing 'engine-room' that takes creative ideas and makes them work, time and time again. This means building a skilled team, systems, processes and measurement, so that you know that if you put the raw material of creativity in at one end, you will generate profitable sales on regular basis at the other.

### A clear position

As your accountant will probably tell you, brands are notoriously difficult to value. What's indisputable though is that buyers will pay more for a business that has a distinctive position in the market for very tangible reasons that include more (and more profitable) sales, better client retention, an ability to charge more than the competition, better staff retention, and clearer strategic vision.

While everyone in the business needs to be a 'brand ambassador', the responsibility for developing and nurturing your position is the responsibility of your marketing team: another good reason to invest in great marketing people!

***"Buyers will pay more for a distinct market position"***



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#### Staff and skills

As we've said above, 'marketing' isn't just a function; it's part of truly successful companies' culture. It's about being customer-oriented, flexible and creative, whether you work in sales, production or accounts. As you think about how to build the long-term value of your business, how closely are you considering how you build that culture and a marketing skillset among your employees? Growing the revenue of the business shouldn't just be seen as the responsibility of the marketing team.

#### ***"Every client interaction is 'marketing' - even credit control"***

What should be their responsibility, however, is thinking about how to transfer their skills into the rest of your business, so that everyone is aware of how they can contribute to the growth of the company. At this point you may be thinking how does this apply to, say, my credit controller? If repeat business is important to your company, then every client interaction counts - including debt collection.

#### New products and routes to market

While buyers may be looking at your historic revenue, they'll also be assessing your ability to generate new revenue in the future, by using the relationships you have with your existing clients and create new products to meet their needs, and in opening up new markets for your existing products.

One of the reasons the Virgin group has been so successful is its ability to develop a stream of new products and cross-sell them to their existing client base, as well as attracting new customers through the power of the Virgin brand. You may not be the size of Virgin but the key skills that you'll need to grow are still marketing-oriented: such as understanding what makes your customers tick and what new products they will buy; identifying new market opportunities and opening up new territories; and building reputation and credibility so that people trust your company.

#### Unique IP

In many sectors, your intellectual property ("IP") may be your most valuable asset. While IP can range from your brand in a consumer goods business to patents in a pharmaceutical company or overseas licensing arrangements, marketing skills and capability are always going to play a crucial role in growing the value of that asset. Whether that's in developing the IP in the first instance; in helping commercialise it; or in ensuring that the company's reputation is enhanced by it.

In conclusion, we can see that marketing, both as a function and a 'state of mind', plays a vital role in building the equity value of successful businesses. So next time you hear someone suggest that marketing is 'just about brochures' or simply 'a tactical cost-centre', you might beg to differ and point out how your marketing is creating long-term value in your business.

For more information about RCR, visit [www.rcrpartnership.com](http://www.rcrpartnership.com) or email us at [info@rcrpartnership.com](mailto:info@rcrpartnership.com)

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