

Bear Market: The Ideal Time To Prospect Business Owners

by Brad Davidson
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The current bear market has created a golden opportunity for financial advisors to prospect for affluent business owners. This article describes how advisors are seizing this moment to expand and upgrade their clientele.

Bad Times = Good Prospecting. Today we face the worst economic conditions this country has seen since the 1970s – perhaps since the Great Depression. In recent months investors have seen their portfolios plunge in value. They want to blame someone – so why not their advisors? A recent study¹ cited in *Forbes* of wealthy investors found “57% said they planned to dump their current financial advisers and only 6% said they’d recommend him or her to a friend”. The study’s conclusion: “People are running from their financial advisers”.

In bull markets, prospecting is *hard* because investors love their advisors and see no reason to switch. But in bear markets prospecting is *easy* because investors are disgruntled and are open to switching – especially the high net worth types who have lost the most. Among the potential switchers out there are many people *you* would love to have as clients. If you are not prospecting them today, you are missing a rare opportunity.

There are so many disgruntled people out there you cannot possibly reach them all, so you must prioritize your efforts. I suggest you focus your efforts on business owners because they make great clients. You know (and as head of a firm that has valued over 27,000 companies since 1990, I can confirm) business owners tend to be wealthier than the general population, need good financial advice, are decisive and can afford the solutions you recommend.

“That’s all well and good”, I can hear you saying, “but how should I prospect these business owners?” To prospect business owners successfully, you need a *hook*. It should not be a product hook (like insurance or a stock idea) because leading with a product will make owners see you as a *product pusher*. In my opinion you will enjoy greater success if owners perceive you as a *problem solver*. It seems counterintuitive but when owners see you that way, you will enjoy more sales than someone they see as a product pusher.

¹ *Forbes*, December 8, 2008, pg. 122; citing study by market research and consulting firm Prince & Associates, Inc.

How to Position Yourself as a Problem Solver. If you want to be seen as a problem solver, find a problem business owners have that you can solve. Here is one facing virtually all owners: *they have little or no idea what their companies are actually worth.* Certainly they think they know -- but their guesses are almost always wrong, sometimes shockingly so. (An unpublished study SPARDATA conducted in 2005 found that owners typically misjudge the value of their companies by 50% or more!) This is a major league problem. How good can a financial plan be if the value of the owner's biggest asset – the business -- is a mystery?

A great way to position yourself as a problem solver is to “raise the valuation issue” with business owners. Later in this article I describe a simple approach advisors are using today to raise the valuation issue with business owners. But first let me suggest four reasons why raising the issue lets you close more large cases and close them faster:

1. *You get a complete picture of the owner's financial position.* The business is probably the owner's most valuable asset. Without knowing what it is worth, the owner's financial plan rests on speculation not facts. Armed with a real number, you and your team can design exactly the right plan to meet the owner's needs.
2. *It trains owners to say “yes”.* Your approach should get your prospects in the habit of saying yes. First owners say yes when you suggest they do something that is free: talk with a valuation expert. Next they say yes when you suggest they buy something that costs relatively little: a business valuation. Ideally they say yes when you suggest they buy insurance (or whatever product or service you think appropriate).
3. *It quickly exposes “tire kickers”.* An owner with a valuation problem who refuses to spend \$6,000 or so on a valuation probably won't buy a large life insurance policy either. If you can weed out these time-wasters early in the sales process, you can move on to more serious prospects prepared to spend money to solve their problems.
4. *It turns CPAs and attorneys into your allies.* Your driving the valuation process gives you opportunities to build relationships with the owner's CPA and attorney. They come to see you as an ally, not an enemy. (And they have many other business owner clients they can refer.)

How to Raise the Valuation Issue. Follow three simple steps to raise the valuation issue with business owners:

1. Ask “How much is your business worth?” Be prepared to respond to the four most common objections.
2. State the diagnosis “You may have a problem.” Push one of five or more of the owner's “hot buttons”.
3. Tee up a call to action - “Let's find out how much your business is really worth.” Use a *Power Phrase* (we can share two to help get you started).

[This article is too short to list the common objections, the hot buttons, the Power Phrases etc. For the complete story call SPARDATA at 800-895-4100 x2 or email support@spardata and ask for a copy of the Advisor Guide. It contains everything you need to successfully prospect business owners.]

A final bit of advice: to raise the valuation issue with business owners, you *must* partner with a valuation expert. You cannot be, nor do business owners expect you to be, a valuation expert. Position yourself as a problem solver by having a professional to turn to – someone who can answer the owner's detailed questions about valuation, and with experience making owners feel secure ordering a valuation. You should not try to sell

owners on the benefits of getting a valuation; let your valuation partner make that case for you.

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About The Author

Brad Davidson is president of SPARDATA Business Valuation Experts (www.spardata.com) based in Elkridge Maryland, a suburb of Washington DC. Since 1991 SPARDATA has valued over 27,000 privately-owned businesses. Financial service firms referring clients to SPARDATA include New York Life, AXA Advisors, MassMutual, Guardian, Transamerica, Ohio National and many others. Regulatory agencies that have utilized SPARDATA valuations include the Internal Revenue Service.

Mr. Davidson is a recognized expert in the valuations field. Organizations which have invited him to lecture including the Internal Revenue Service, the Securities and Exchange Commission, the North American Securities Administrators Association, the Department of Labor, the Federal Financial Institution Examination Council, the Federal Reserve, the Michigan Bankers Association, the Virginia Bankers Association and the American Society of Pension Actuaries. The Company's valuation reports have been cited on numerous occasions by the Wall Street Journal as well as other publications.

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