**Buying Your Way to Growth**

By Al Levi

When I talk to contractors, many ask the same question and that is, “How do I grow my company the right way?”

To me, there are only two answers:

1. Master Organic Marketing
2. Master Acquisition

Mastering Organic Marketing means you are so good at the right messaging delivered using the right marketing vehicles that you create more demand for the work you can do in a given day which means you need to grow your team to support this ability.

Great Organic Marketers have figured out on their own or with good marketing outsources how to make their phone ring “off the hook” which has allowed the owner to hang up their tool belt and begin to focus on what it takes to run a successful business.

Mastering Acquisition means you’ve learned how to buy someone else’s company and acquire their customers and good will and sometimes their assets like trucks and inventory or even their building.

Great Acquisition Players know that Acquisition can and often does happen in many ways and in many forms.

My focus here is on Acquisition as the best way to…Buying Your Way to Growth.

A little history here. My family business was started in a beach resort part of New York City called the Rockaways. Yes, hard to believe that there’s a part of NYC that has an 8 mile stretch of sand and boardwalk along the Atlantic Ocean.

The bad news is our hometown and service area was destroyed during urban renewal and our customers fled to better neighborhoods. If not for my dad and my uncle, his partner, acquiring companies who served those areas already, there would not have been a business for my brothers and I to run when it was our turn.

My dad and uncle came to acquisition out of desperation. But they quickly learned that it was the best way to grow and… grow they did.

Here’s why:

1. Instead of spending money on advertising with only the hope of getting the phone to ring and for someone to buy from them, they were acquiring customers already trained to call them.
2. They saved a ton of overhead expense by shutting down the acquired company’s location and ridding themselves of duplicate cost by putting it under their roof.
3. They found that they could actually get experienced help for many spots at their company.
4. It added numerical depth at many positions too.
5. Sometimes, it provided a skill set or a jump off to a new trade they wanted to add but didn’t have the expertise for.

So, how would you buy someone else’s company?

The first step to being able to do Acquisition the best way is to make sure you have systems in place so you can grow as fast as you want. But, if you don’t have systems, you can’t bring on new staff and get them working the way your company does things. So, you need to start today on putting systems in place that can allow for explosive growth.

If you do already have these systems, you’re ready for Acquisition. And Acquisition is best viewed as a spectrum. That spectrum goes from mild to wild.

Here’s what I mean as you go up in size of the company you’re looking to acquire:

1. You can just acquire inactive phone numbers that contractors who went out of business never disconnected and get those abandoned phone numbers to ring at your office.
2. You can offer to buy the phone number from a contractor who is going out of business and closing the doors for a low flat price.
3. You can offer what Ellen Rohr, my fellow business consultant and franchise partner, calls “Mailbox Money”. She named it that because it was designed primarily for when you acquire an owner/operator type of company. They stay home and when the call converts to a sale at your shop, they get a percentage which they get when they go to their mailbox.

So, it means you offer to pay the contractor you’re acquiring a percentage of sales made when the call originated on their designated phone number and it ended up as a sale. This is pegged to happening for typically just one year.

1. You can offer what I call a Hybrid Mailbox Money which is you offer to get their phone to ring at your office and pay them a small flat upfront fee for that and a percentage of the call when it closes with a set timeframe like one year.
2. You can offer what I call a Balloon Mailbox Money which is you offer to get their phone to ring at your office and pay them a small flat upfront fee for that and a percentage of the call when it closes with a bump (aka a balloon) if sales exceed what you both agreed the minimum annual sales would be. That would happen only once and usually after you tally up sales for the first year.
3. You can buy a company outright and shut their office down and put it all under your roof. You typically pay them a percentage of gross sales over 3 to 5 years and let them keep the assets and you acquire the phone and the customer list. Staff can apply for a position with the company without a guarantee of employment.
4. You can buy a company outright and operate their location in one of these three ways:
5. With a lease
6. With a lease with first right of refusal
7. With an outright purchase of the property and building.

You will pay them a percentage of gross sales over 3 to 5 years and also keep the assets along with acquiring their customer list. It might have a Non-Compete tied to some employment for the owner for a specified period of time with the company without a guarantee of long-term employment.

I’ll share that many of the successful contractors I’ve worked for originally worked at the company they ended up owning. Normally, it was because the prior owner had no one in their family who wanted to run it or that they trusted to run it the right way. They had a goal to sell it and not have to come back to rescue it. And when done right it can be a win-win.

Hey, you might be thinking I’m not buying a company in these troubled times. The fact is *now* is the best time to acquire a company because there are plenty of companies who would have said, “Not interested” not that long ago who will be looking to sell or they just may go out of business with nothing. My personal favorite depending on the size of the company would do one of the Mailbox Money type acquisitions if you can.