

# Planning your exit strategy

*It's never too early (or too late) to think about the future*

By Dan Antonelli, President and Creative Director, Graphic D-Signs, Inc. and SignShopMarketing.com

**M**ost shop owners are so focused on the day-to-day operations of their business that they don't have time to consider what the future holds, or where they see their business down the road. We're usually so focused on the current status that it's hard to plan what our end goal might be.

There's nothing wrong with feeling like you may never want to retire, sell your business, or do much else with your company. Even if you can't see yourself as 'retired', you may find yourself later on in life wishing you had spent a little more time considering an exit strategy.

An attitude I often hear is based on the roots of a "loving what you do" approach.



Here are some examples of the focus I want to take with the company as we move forward. For these jobs, we handled the branding and identity development but we're not geared to do these types of installs efficiently. So we sub that out, or prepare the art for our clients to use with their vendor. We preach that the most critical aspect of the job is the design, and that most shops can handle a good installation, when provided with a good layout. It allows us to focus on what we do best, which is design—and not worry about the mechanics of installation.

Therefore, that person is convinced that they don't need to plan. They figure they'll be doing this until the day they die. For some, maybe that's what will happen, although I haven't heard many stories of someone dying with a brush in their hand.

To the contrary, how sad it is that some of the gatherings of sign people clearly illustrate a lack of planning or foresight on the part of some truly talented artists. This just proves that being a great artist is not a prerequisite to being a good businessperson.

So while I am not, by any stretch, a financial planner, I have done some homework and have made arrangements for my exit strategy. For me, it took a powerful event in my life (my Dad's passing in 2001) to get me to prioritize some aspects of my life and my business future. Dad worked 30 years, retired at 55, and died two years later from cancer.

While no one can predict the future, it became my goal to retire at 50. So, as of this writing, I have 5040 days to go before I can retire (I'm 36). Why the countdown? It's equally important for any goal to have a deadline or ending point.

So, how do you go about planning for your "end game?" Here are some of the things I have focused on to help me meet my goal.

**1. Chart the course of the business:** What do you want to be doing two, five, ten years from now? You have to decide what the future of your company is, and how it might affect your plans. Are you making decisions that will change, perhaps the physical labor requirement of your business? For example, if you're doing a lot of dimensional work, and the physical labor that goes with installs, you might want to either think of slowly migrating towards more design work and less physical work, especially as you get older. Or, are you hiring employees to assist in that product line?

I hear from a lot of sign shop owners who

want to model their business more in line with what I've created here with Graphic D-Signs. They want to move more into a design studio rather than a sign company. It wasn't accidental that my company migrated into an agency. It took a lot of guidance and planning. But once I knew where to steer it, the other elements began to fall into place.

**2. Role of employees:** One of your most valuable assets is your employees. But many shops are one-man shops, and for several different reasons. The unfortunate reality is that, as such, the business has little value once you are taken out of the business. I decided a few years ago, that with myself being the only one responsible for production, I was limited in what I could do here. So, slowly I built up some key designers (I'm up to four now). My employees are as talented (or more talented!) than I am. This means, collectively, the work we do here is better. I'm able to offer more to my clients. Now my company is more than just me—and it makes money, even in my absence.

So consider hiring some people to assist in production. The company will be more attractive to a potential buyer, if you can show that it can function without you.

Employees are also important when you consider what happens in your business when you are not physically there. If you take a week's vacation, does the company still generate income in your absence? Suppose you're exit strategy is not to retire, but to work only three days a week. It would be nice if the company could still make money when you're only there part time.

### **3. Value of client roster and residual income:**

Your client roster—a list of the clients you serve on a regular basis—proves to a potential buyer a steady source of income for a core group of repeat buyers. That's why it's important to have clients who continually come back for your services and products. However, the problem with signage and its related products is that they last too long to demonstrate to a potential buyer the residual income opportunity from all your clients.

That's one reason why I made the decision many years ago to move outside the scope of signage and move the business towards a traditional ad agency. The opportunity for residuals with graphic design services is much greater. We consistently have repeat business, such as printing, Web design and redesigns, and Web hosting. It's easier to assign a greater value to my client roster, because the residual income from them can be proven.

*continued...*



Here's an example of a client who asked us for branding and stationery design, and then wanted some concepts for their enclosed trailer.



This client wanted to position their company more so like a franchise. With the help of Jeff Devey Jr. we developed their logo and lettering, which is being installed by another shop. Next we're doing their web site and collateral materials.



The client originally wanted a full wrap, which we talked them out of, instead showing them that a nice job could be executed without the expense of a full wrap.

So even if it's something simple—like adding stationery printing and business cards to your product lines, start to consider how much easier it is to make a few hundred dollars for e-mailing a few files, versus hanging off the side of a truck for the same few hundred. But better still, consider that that truck lettering will be on there for several years or more but that stationery will be gone in a year or less. I know of a few shops where four-color business cards have become a staple, complementing their logo design work. These guys could close up their shops, offer business cards from their home, and still pull in \$30 to \$40k a year in profit. Nice way to supplement a retirement income, right?



Once this logo was developed, it was time to do the delivery vehicle. We designed a full wrap which was later installed by cre8one Signs and Graphics, Atlantic Highlands, New Jersey. They did a great job and the client is thrilled with the response. Jeff Devey Jr. helped with the brand development. We also designed and printed their business cards and brochures.



The same goes for logo design. What a great product line to aggressively market, because it's not labor intensive (as far as physical labor). And it opens the door to getting the stationery sales.

Consider also modeling the business as a shop that only does design work, and then you can sub out the installs. That's what we've done here. Most of our lettering jobs are installed by other shops.

**4. Retirement accounts:** If you're not already, you should start to aggressively investing a portion of your paycheck in some of the various types of retirement accounts available. I aggressively contribute towards a Self Employed Pension (SEP) plan, and more recently, I've started a 401k plan here for myself and my employees. SEP plans are easy to setup, as are IRAs and other avenues.

My advice here is to consult a certified financial planner to give you advice on reaching your goals. For me, I simply told him I'd like to retire at 50. He told me what I needed to save every year to make it happen. At the time, I had him base that assumption without my company's value factored into the equation. Should I decide to sell it outright, I may stand to shave a few years off the equation.

**5. Build up non-tangible assets:** One thing a potential buyer of your business might like to see is concrete proof you are consistently generating leads and new business through your sales efforts. They'd also like to see that you have the tools in place to make it easier for them to come in and market the company. This is where it's helpful to have some type of documentation showing incoming leads for the company. For us, in addition to an average of about five to seven phone leads a week, we can show an additional five to seven leads via the contact form on our web site. This is a nice non-tangible asset, because it shows to a potential buyer that the business is somewhat self-generating.

**Start planning today** The most important thing you can do for yourself and your family is to start planning for your golden years now. Develop an end game and focus your efforts toward the development of that goal. •SC



Dan Antonelli owns Graphic D-Signs, Inc. in Washington, New Jersey. He is the author of *Logo Design for Small Business I and II*. His Web site, [www.signshopmarketing.com](http://www.signshopmarketing.com) caters to the marketing needs of sign shops. He can be reached at [dan@graphicd-signs.com](mailto:dan@graphicd-signs.com)