Valuation as a Service

The Role of Technology in the Advisor-Business Owner Relationship

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Technology (as a broad term) has redefined the way we are able to connect with others, complete everyday tasks, and run our businesses. Historically conservative industries such as financial services and banking are of course not exempt from this, with more companies in the space incorporating digital and cloud-based platforms to run more efficiently, at a lower cost.

The lingering intimidation of leveraging new software is outweighed by the ability to engage with new clients, reach people outside of network, and offer new services that were once only available to niche, certified experts.

Performing a business valuation was traditionally a time consuming and expensive process.

The average valuation took 4-8 weeks to complete, was cost intensive due to its consultative nature and structure around billable hours (on average $8 - 20K+) and was conducted predominantly offline, involving considerable documentation that needed to be gathered – business financials, business plan, employee information, benefits and insurance policies, and more.

As such, running a valuation was something only considered when absolutely "necessary" – for example, during liquidation or business sale/acquisition.

Valuation software has changed this. Advisors can now run real-time valuations for business owners and allow clients to watch their value "grow" or "decline" depending on the financial inputs by the advisor.

Not only are advisors able to offer a highly relevant service to support business owner clients, but valuation also opens the door to conversations around financial health and securing the future of their family, and can be incorporated into other forms of financial planning and business consulting.

What it means to be a financial advisor, an accountant, or relationship manager is shifting towards a more holistic role as a consultant or coach. Valuation software should be viewed as part of an advisor's toolkit that frames subsequent conversations, rather than a separate service entirely.

When considering financing options, the business is often the largest asset that can be collateralized. In conversations around tax breaks, the owners can in some cases write off up to 20% of their income. In cases of retirement and succession planning, partner disputes, business acquisition and expansion there is no more effective way to advise a client than to open with the value of their business.

Valuation software has reimagined how advisors connect with their clients, allowing for more meaningful conversations when it comes to financial and tax planning. The interactive nature of platforms like BizEquity create a shared experience for both advisors and business owners.

Tying the business value to their goals

While it's not in an advisor's scope of expertise to know the ins and outs of industry multiples and valuation metrics (leave that to BizEquity's software) — an advisor is in the position to know their business owner clients' wants and needs. Entrepreneurs and owners are consumed by day-to-day operations, leaving little room for thinking 10, 20 years into the future. That puts advisors of all kinds in a unique position to help and support their clients.

Knowing the business value is a powerful way to build confidence for business-owning clients, especially when advisors frame the valuation in a way that directly correlates the value with their clients' goals. This creates an all around more positive experience for both parties.

In addition, having an honest conversation about the goals of clients and their families grounded in the certainty of the business valuation strengthens the client-advisor bond and builds trust. Trust instills loyalty and client confidence in their advisor's abilities- all of which are crucial to the advisor-business owner relationship.

Valuation is not a one-time event

The estimate of a business's value continuously evolves based on the macro and microeconomic changes and needs to be tracked over time to maximize the business potential and growth. As with publicly traded companies, privately-held businesses also experience a consistent change in value with market fluctuations and industry-specific shifts. Think of the impact trade deals and resource shortages have had on industries such as lumber or home healthcare services over the past two years. BizEquity's algorithm is designed to account for these factors and is consistently updated to reflect market changes in its valuation estimates.

Business performance enhancing metrics

In addition to on-demand valuation reporting, advisors leverage BizEquity's valuation software for its KPIs and client dashboard. When running a valuation, the system automatically creates a dashboard for each business that displays how the business ranks against others within the industry, and measures the value drivers that directly impact the business value.

Even if an owner is not looking to sell, using BizEquity's value drivers and KPIs helps identify the areas of improvement, so advisors can provide guidance on how to reduce overhead costs, update insurance coverage, properly budget and save for retirement, and increase their net revenue- all which in turn also improve the business value.

To Summarize

Thanks to the power of technology the once cumbersome, expensive process of business valuation is now an on-demand, real-time service that financial professionals can offer to clients.

Coupling valuation software with your financial services allows you to differentiate yourself from competitors, create shared experiences with otherwise unengaged or seldom contacted clients, and opens the door for conversations around more than just the current value of the business.

Knowing the business value is about benchmarking where a client is ***today*** to help them achieve their bigger picture goals.