



Perspective: Industry Issues

Bob Wolter is a mergers and acquisitions advisor for CBS-Global, Green Bay, Wisconsin. He is a guest columnist for *Cheese Market News*®.

A team for a successful exit

Unlike the sale of a home, location is not the most crucial factor when selling a business. With a business transition, it's timing, timing and timing. Is the business performing at peak level? Are the capital markets providing attractive terms to finance a buyer's offer? Finally, is the owner ready to consummate the deal? All three of these elements must be in alignment to extract the maximum value for the seller.

Even with all of these elements on your side, the process can still have significant risk. So what's a winning scenario and how do you increase the odds of making the maximum value when it comes to the sale of a business? Just

like poker, it takes skill, a mastery of the rules and psychology. Unlike poker, you are gambling with your life's work. In addition to the buyer, you are playing against the IRS, the capital markets, competition, your plans for your life after the transaction and, in some cases, even your own health. But how do you tilt the outcome in your favor?

First and foremost, you don't have to play this game alone. A team of experts can increase the odds that you walk away a real winner if you know where to find them and how to utilize them.

Start with a goal and develop a plan. It's amazing how many business owners have great plans for their companies,

but have given little thought of their own future in it. How many times have you heard "I have no intention of going anywhere. I'll be here until they carry me away in a box!" Really? Is that the best way for those left behind? That kind of outcome can leave a big mess for someone else to clean up. The cost in time, money, anxiety and lost value can be significant. Not exactly the memory the owner wants to leave behind.

When it comes to transitioning a business, between the internal and external transfer options, there are numerous ways to accomplish those objectives. Choosing the right combination is a function of the owner's motive and desire to be a part of the solution. Wouldn't it be smart to understand all the options before making a final decision? Not all alternatives may be available to every owner, but real work begins once a decision is made and an implementation plan is developed. A good exit planning advisor is invaluable in laying out the possibilities and helping with the subsequent steps.

Appoint someone as the lead advisor. A team without a quarterback, or one who doesn't know how to play or understand what must be done and when, is like a boat without a rudder. The lead advisor must also have access to a network of experts who can be pulled into the process when needed. This person should be held accountable for progress and the net results.

Get a capable deal attorney. This is not a relative or acquaintance. It should be someone who has "in house" access to specialists, experienced with estate planning, business, tax and M&A issues. It sounds obvious, but what's not so apparent is when to get this person involved. Unfortunately, many business owners do this after a signed offer is on the table. That's not nearly enough time for the attorney to address potential legal issues and efforts to do so in the middle of a transaction makes them look like "deal killers." In reality, they are just trying to protect their clients.

Hire a good CPA. It goes without saying that a good CPA can ensure accurate financial statements and present the company in the best possible light, which is key to preventing an eroding offer. In addition, they can develop solid tax strategies with careful planning to legally reduce, defer or eliminate capital gains, ordinary income and inheritance tax.

Consult an independent insurance planner. Life and disability insurance can manage the risk of loss and can provide income replacement in the event the owner is not capable of performing their duties. Life insurance also can be used to fund the transfer of the business from one generation to another, used to pay estate taxes and may not be subject to income tax. A thorough review and audit of all existing policies will help eliminate a big disappointing surprise later on.

Turn to WOLTER, page 12 ⇨



Perspective: Buying & Selling

Anthony Caliendo, "The Big Cheese," is the vice president of sales and marketing for Milano's Cheese Corp., Linden, N.J. He also is a keynote motivational sales speaker and author of *The Sales Assassin: Master Your Black Belt in Sales*. He contributes this column exclusively for *Cheese Market News*®.

direct customers as they're responding to the demands of the consumer.

Add to that a sense of sustainability and accountability in an industry that is becoming more fiercely competitive and intense than the average uninformed population of cheese eaters is even aware of. They want what they want, and we as producers need to supply it to the companies that are going to give it to them.

The problem is it's not that simple. So what's the big deal? Manufacturing a fungible product with high consumer demand makes gaining market share a challenge. What I know for certain is that just like in any other business, cheesemakers rely upon their sales and marketing functions to employ an effective brand strategy so competitive distinction is created in a sustainable yet increasingly competitive market. What it requires is swift, strategic and decisive action at the first sign of change within the landscape. The cheese business is no different. We need to be careful not to make decisions based on acquiring the market share of our competitors but rather driving sales growth from the demand of cheese eaters and overall market growth.

This means putting more emphasis on the entire sales function and properly educating and equipping the sales staff with the tools they need to satisfy buyers and drive sales growth. Most importantly, it demands what I

consider a vigorous integration of the sales staff with the normal organization platform, especially within production. In other words, operations and production processes should be working in tandem with the sales dynamic. This is a very difficult shift in thinking, but a necessary one. Product sales are the lifeblood and revenue stream of the cheesemaker's organization. The big deal is that proper focus on sales and marketing is the means to capturing market share.

But what I've meticulously discovered is that, especially in the grated Italian cheese industry, gaining the big truckload deals from the big cheese buyers is not simple. The methodology: a precise selling and buying process that gathers precise information, in a precise way with precise timing. One of the most difficult aspects of the cheese buying and selling process is realizing that both the cheesemaker and the cheese buyer play an equally important role in the process. Actually, it's an obligation. What we communicate to each other visually and verbally are part of the sales process and also our respective brand strategies.

Cheese buyers are intelligent and well informed. But here's the key: We have to be more knowledgeable and better equipped to assess their needs than we currently are. That means extracting specific information so that

Turn to CALIENDO, page 12 ⇨

What's the big deal?

We think it's a simple process. Cheesemakers make cheese for the infinite set of customers that need and want to buy it. In April, USDA's National Agricultural Statistics Service (NASS) reported that total U.S. cheese production was 884 million pounds in February, up 3.9 percent from last year. Italian type cheese, the cheese that I sell, totaled 394 million pounds in February, up 5.4 percent from last year. The annual U.S. per capita cheese consumption is about 34 pounds. Simply put: Americans love cheese, no matter how major or intermediate trends in the dairy market fluctuate.

From a cheese manufacturer's perspective, it's obvious that we produce a commodity that satisfies a need and want. But the market says that cheese is fungible: it is easily exchanged or replaced. And that's true. It's truer today because younger consumers are now dictating the market by what they want to consume and by what they want to see on the label.

Price is usually the main factor that drives the purchasing decision. But today's consumers also are making it more about good old-fashioned, all-natural quality. As cheesemakers, we need to respond to the demands of our

GUEST COLUMNISTS



CMN Exclusive!

WOLTER

Continued from page 8

Retain a financial planner. Many business owners make decisions to sell based on assumptions about what they need to retire. Most of the time these are nothing more than a “less than educated guess.” Receiving a check for

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Bob Wolter
CBS-GLOBAL

the net proceeds at closing may seem like “winning the lottery,” but you’d be surprised how little that would stretch. A good financial plan can address the question of how much is needed to accomplish an after business life goal.

Engage an M&A advisor. An M&A advisor may not be needed if ownership

transfer is an internal one, but it’s absolutely essential if you want to launch and manage a formal sale process. An M&A advisor can provide invaluable advice on market timing, market value of recent comparable sales and can present the business both to strategic and financial buyers. Some have specific industry experience. But all are highly transaction-focused and are paid on a success fee basis. That can lead to a “any sale is better than no sale” mentality. Whomever the owner chooses to represent them, they must be trustworthy.

There are many participants who can contribute to the planning and transaction process, including valuation experts, the existing management team and perhaps family members, but those identified here are critical to a successful outcome. A good team, leadership and a plan are the three legs of the transition stool. Doing it right will help ensure that when the dealing is done there are enough chips in your pocket to either play again or do something else, in the style you deserve. **CMN**

The views expressed by CMN’s guest columnists are their own opinions and do not necessarily reflect those of Cheese Market News®.

CALIENDO

Continued from page 8

we’re absolutely positive that we’re giving them cheese products that maintain their integrity as well as ours. Important criteria to know:

- Does the buyer want a cheese product they’re currently using or is this a new project?
- What is the application of the cheese?
- What are the ingredient deck and analytical requirements? Can an alternative, comparable product be considered?
- What is the estimated or projected usage and distribution?
- What cost savings should be met in order to drive the buying decision? Is there a price point that should be met?

I won’t give away the whole cow but there are so many other factors to consider that allow us to create competitive distinction over other cheese manufacturers in the industry. The ultimate goal is to supply a quality product that meets your customer’s specifications and improve their bottom line. This should be a mutually beneficial process. Cheese

manufacturers: Train your sales reps and brokers to hone in on the buyers’ absolute needs by asking certain questions. Cheese buyers: Be involved in the process. Allow the sales reps to explore your absolute needs and answer the questions. Don’t risk compromising each other’s product and corporate integrity by engaging in failed buying and selling processes that will ultimately disappoint the end user, the cheese consumers.

Remember, it’s a cheese consumers’ market. Younger palates craving fresher options in the cheese and deli departments are dictating the uptrend of what would be a slumping dairy market. Those cheesemakers that have the ability to manufacture natural cheese products with an innovative and artisan flare have the edge and should take full advantage. But the makers and the buyers need to work in tandem at all costs. Otherwise we’re both risking our positions as major players in a market showing steady growth. And that’s a big deal. **CMN**

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Global Cheese TECHNOLOGY FORUM

October 26 - 28, 2015 • Peppermill Resort Reno, NV

SCHEDULE OF EVENTS

MONDAY, OCTOBER 26

6:00 pm Welcome Reception

TUESDAY, OCTOBER 27

7:00 am Breakfast Buffet

8:30 am Industry Challenges & Opportunities

Senior Leadership Panel:

Ron Dunford, Schreiber

Mark Leddy, Valley Queen Cheese Co.

Mark Wustenberg, Tillamook

George Chappell, Southwest Cheese Co.

10:30 am Developing The Next Generation of Dairy Scientists and Technologists

12:00 pm Lunch

1:30 pm Cheese Process Technology

3:00 pm Break

3:30 pm Cheese Applications

6:00 pm Cheese & Wine Social

WEDNESDAY, OCTOBER 28

7:00 am Breakfast Buffet

8:00 am Cheese Microbiology

10:45 am Whey Processing Technology

12:20 pm Luncheon - Speaker:

Dr. Alison Van Eenennaam, UC Davis

2:00 pm Food Safety and Environmental Management

4:00 pm Close

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- Next Generation of Dairy Scientists
- Whey Processing and Applications
- Cheese Microbiology
- Cheese Applications
- Cheese Process Technology
- Food Safety and Environmental Management



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