



by Betsi Bixby  
President, Meridian Associates, Inc.  
PMAA Corporate Platinum Partner

# 5 Missing Links Causing Unnecessary Stress in Ownership Transfers

Many marketers tell me they want to pass their company ownership to their children, their employees or, in some cases, a buyer. Any of these are great aspirations. But, as the transfer date approaches, or when they want to retire, the road can get bumpy. I find those bumps are usually due to one or more of these five missing links. The great news is that each is curable, and the earlier you know about them, the better.

**Missing Link #1 – Too Few Leaders.** I've discovered over the years that many petroleum companies have only one or a handful of key people who can make effective, sound decisions and set company vision. Often, the owner has his or her hands in just about everything because developing leaders has not been a priority. Even when there are back-up leaders, I often find they are similar in age to the owner and want to retire themselves. So, just as a successor, family or otherwise, is taking the reins, a lot of institutional knowledge and wisdom is leaving or about to leave.

**Solution:** Develop leaders, and don't be the lone ranger! This calls for a leadership development plan. You may want our professional assistance with that, but for the do-it-yourself version, start by listing the key drivers of your business. Supply procurement, pricing, customer development, operations, etc. You will specifically work towards a three-layer depth of knowledge and leader development in those critical areas first.

For example, perhaps, as owner, you negotiate supply contracts. As you prepare for transition, start train-

ing a number two and a number three in exactly how you do that, what factors into your decisions and approaches and why, plus share your contacts and start developing relationships as needed. Yes, this takes deliberate planning, and it takes time — plus, rather than breaking old habits, it may seem easier and faster to do it yourself.

**Missing Link #2 – Growth via Market Share.** Any new owners, including your children, need to understand the current market share and the potential for growth to run the company effectively in the future. To help them be most successful means knowing how much of the available market you have captured within your current geography. That is not to say you can't expand your borders to grow, but the opportunity for growth when you own 5 percent of your market, and the opportunity when you already serve a 65 percent share, is a completely different picture.

**Solution:** Assess and know your market share, which is available through several reputable sources. Volume reports are often publicly available from state government sources. Here in Texas, that report is actually published and made available by the state petroleum association. If that is not available, your refiners and suppliers often have data from work they've done on various marketers. And if both those sources are inadequate, demographics firms can be engaged to research and produce that market info. With that knowledge in hand, you can then make a realistic future growth plan that will create successful, sustainable growth in the coming decades.

**Missing Link #3 – Financial Resources.** Successful transition is also about money. No matter who the next owner is, there is always a buy-sell-gift cash component. The cash at transition can either be a lump sum or paid over time. Knowing what is needed for your retirement and being very practical about what cash the business needs to sustain day-to-day operations, plus continuing a positive cash flow to service long-term debt, is critical to a transition that is financially successful months and years after the actual change of hands.

**Solution:** Start with your retirement needs first. If you still have personal debt, I am a big believer in freeing yourself from that debt prior to sale. There is nothing more heartbreaking to me than a marketer saddled with debt at age 65. It's joyful when marketers share with me that moment when they are debt free.

Once you know your personal needs, move on to the business. You'll want to fully understand working capital trends (cash, receivables and inventory, minus payables and bank line) over the last 24 months. And you'll be looking for cash after the transition in excess of break-even profitability enough to service debt after the transition. Leaving a future owner cash strapped to run the business so you can cash out your retirement is a bad plan.

**Missing Link #4 – Documented Procedures.** Every process in your business should be documented, from the everyday to the year-end or occasional. Ironically, it's often the owner's areas of responsibility and most vital functions that are skipped and most needed post-transition. The other day, we were on-site interviewing key employees, and

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there was a 70-plus-year-old, awesome, amazing operations manager who had nothing written down about his job. He prided himself on his deep knowledge, but his company would be up a creek without a paddle if he dropped dead, because absolutely nothing was documented.

**Solution:** Because those people competent in their jobs who have not documented what they do have usually avoided doing so because they are horrible at documentation, and may even hate the thought of it, asking them to document does not work. Instead, have a junior observer, ideally your leader in training, do the documenting. Yes, they will have to pester your old salt repeatedly to get it complete and accurate, but there will be tremendous learning, plus a good system, when they are done. And I often find the new generation can find technology-based ways to streamline and even enhance customer experience at the same time. Now you have a big double win.

**Missing Link #5 – Key Contacts List.** One of the most overlooked success factors in transitions is all the vital relationships taken for granted by the outgoing owner. Over the years, you’ve likely developed a strong list of who to go to for what, even if that list is only in your head. When situations arise, you know who to call. Unfortunately,

your successors will not know who to call unless you prepare lists and share those contacts.

I remember getting a call from a surviving son. The marketer had passed unexpectedly but had left a list in his drawer of who to go to for what in the event that something happened, including, “Call Betsi at Meridian for a business valuation.” Being on that list was literally why I got a call from this son I had never met. Without that list, he would likely have spent hours searching out a resource and maybe just going to someone local for the estate valuation, someone who had no clue about petroleum. His dad left him a precious gift — a lengthy list of his most trusted resources and all his go-to people.

**Solution:** As you develop leadership depth, be sure to document and pass on contacts and resources for as many what-ifs as you can imagine. And like my friend who passed, keep those good contact lists up to date. Every key leader in your business should have their own list and not be afraid to share contacts as well as information.

I can promise you the sooner you start diligently working on these five missing links, your eventual transition will have less bumps, and, frankly, your business will run smoother immediately. If you feel you could use a hand in conquering the missing links, we’ve developed a team that comes to you, inter-

views your key leaders, and develops a customized plan to help fill in the gaps of leadership development and transition. Imagine what your day would be like if everyone in your company was completely competent and responsible, making great decisions consistently, and all you did was cast vision or perhaps cast your fishing rod! Yes, that can happen!

If you are an owner, president or CEO, you are invited to attend The CEO Exchange this year in Dallas. Join an exclusive group of petroleum leaders in a confidential environment to learn effective, proven leadership strategies to grow volume and achieve success. You will discover immediate and long-term, proven solutions that can translate into hundreds of thousands of dollars in new revenue or savings. If you’d like to learn more about the high-quality education specifically for the petroleum industry, please visit [www.petroceoexchange.com](http://www.petroceoexchange.com). **P**

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a vehicle clean between washes, or a money-back guarantee — “not just a rain check.”

Forming that personal connection with consumers is accomplished nowhere as concretely as with so-called beacon technology, which maximizes impulse sales by reaching out to consumers with special offers as they drive near a retail location.

A 2014 consumer study conducted by beacon technology platform Swirl found:

- Over 70 percent of shoppers who received beacon-triggered content and offers on their smartphones said it

increased their likelihood to make a purchase during a store visit.

- More than 60 percent of respondents said they’d do more holiday shopping at brick-and-mortar stores that deliver mobile content and offers while they shop.
- 61 percent of people said they’d simply visit a store more often if it offered beacon marketing campaigns.

This technology is already in use by retailers like McDonald’s, Macy’s, Target, Urban Outfitters, CVS and UK supermarket giant Tesco. A leader in its use is GasBuddy, a smartphone

app connecting drivers with retailers. With nearly 70 million downloads, GasBuddy helps drivers find the best gas prices, closest stations, friendliest service, cleanest restrooms, tastiest coffee and more, with accurate, real time information on more than 140,000 gas stations in the U.S., Canada and Australia. The results have been impressive.

By getting to the heart of the car wash transaction and making personal contact with consumers, car wash operators can reap the rewards of an approach that many in the industry don’t yet understand or, in some cases, even know exists. **P**