

## **BACKGROUND**

Established in 1995, Sage Financial Services is a partnership firm providing financial services specializing in business valuation. The two partners of Sage live in Albany, NY and Ithaca, NY. The firm is a partnership, with three members including two partners and one part-time employee. The major selling product of Sage is intelligent works and the overhead is almost zero. In other words, the operating cost of Sage is extremely low. Recently, Sage's sales declined significantly due to the relocation to Ithaca from Albany, NY.

Sage values businesses for tax purposes, purchase or selling businesses, and law suits in disputed court. The primary role of business valuation is to value the earning stream, figuring out what the future earning is going to be and then estimating the value of future revenues. More specifically, there are two reasons of valuing business for tax purposes: inherited and gift taxes. One example is a business belongs to parents but they want to give it to their children. This is a taxable event. Thus they have to know what the business value is for tax purposes. Another main reason is Employee Stock Ownership Trust (E.S.O.T.) The owner of the business can slowly selling their business to his employees, so his employees become the owner over time. In both cases, the lower the value is, the less taxes clients have to pay and more revenue Sage could generate. In terms of disputed court, valuation services serve to suppress minority stockholders and divorce cases involve business equity distribution. In case of suppressions of the minority, if a company owns 20% of shares and somebody else owns 80%, but they do not treat the minority stockholders fairly, then the minority can sue and force the majority stockholders to buy them out. In this case, Sage has to figure out what the market value of the business and set a price for the buyout. In case of divorce cases, business is quite often family owned. The business has to be divided and it is called equity distribution. Each part gets half of the value of the business. Thus Sage has to come up with the value of the business.

The major competitors of Sage are local certified public accountants (CPAs). Usually, customers who do not know Sage existed tend to find local CPAs to handle their business valuation. However, most of the local CPAs cannot handle complex business valuations and they have to either turn down the clients or find other companies like Sage to assist their jobs. Thus, there are many opportunities for Sage to acquire more clients by establishing a positive strategic relationship with those CPAs, and at the same time reduce competition.

The primary marketing strategy of Sage is viral marketing• mostly word of mouth. There are five channels through which Sage disseminates its information: through friends in CPAs firm, friends in law firms, other professors in Ithaca College and SUNY Albany, former students and customers. Besides viral marketing, Sage publishes academic articles in international journals on business valuation, including The CPA Journal, The Practicing CPA, The Journal of Accountancy, The International Journal in Management, Journal of Legal Economics, and Journal of Small Business Management. These kinds of academic papers illustrate Sage•s strong ability in business valuation and its unique strength. Some readers of these kinds of journals will call Sage for advice and service. However, the number of businesses reached from these journal channels is still small• earning Sage only one client.

According to the CEO of Sage, the recent decrease in businesses is partly due to the relocation to Ithaca, NY. The problems might be not enough publicity to attract businesses around Ithaca and Binghamton regions, and a lack of communication with CPAs and law firms in Albany. Sage does not have a website to communicate with their potential customers and have not yet designed an attractive logo to advocate its brand. The CEO believes these are the main reason of Sage•s weakness in attracting customers.

## **Profiles of potential publics**

### **Customers**

Any firm that is worth more than \$200,000 could become Sage•s potential client. They can be nationwide, but most of the customers come from upstate New York, including Albany, Rochester, Ithaca, Binghamton, and Syracuse. Following is a list of recent businesses and services provided by Sage.

- | Real-estate and Construction Company: It started around 15 years ago when Sage first got involved. It worth about \$500,000. And now it maybe worth \$15 to 20 million. This is the second time Sage providing services to them and was for inheritance tax purposes• the business owner is selling its entire business to his son.
- | Lumber Company: Sage valued their business and also built a decision supported system for them to decide whether or not to acquire another company as expanding business decision.
- | Electric firm.
- | Electric Equipment Company.

| Mobile marts.

| Manufacturing firm.

Business valuation does not customarily happen in a firm. Thus, there are not many ongoing businesses for Sage. This also means Sage has to develop more new customers.

*Current Relationship:*

∩ Good. But hard to have more businesses within a short time.

*Influential:*

∩ Potential Customers

*Self-interest:*

∩ Saving more money from business valuation

∩ Making right decisions in business investment

∩ Winning in disputed court and attaining more profit

∩ Having a satisfying financial service

## **Local CPAs**

They are the primary competitors, but at the same time, they are the primary channel to provide clients. Through Sage personal connections, some of the local CPAs are cooperative partners with Sage and provide most of their business valuation job to Sage based on mutual benefit. The next marketing decision of Sage will be communicating with other local CPAs and building strategic relationships with them.

*Current Relationship:*

∩ Some of them are partners based on mutual benefits; others are competitors.

*Influential:*

∩ Potential customers, other CPAs, Law firms.

*Self-interest:*

∩ Earning more revenues from their customers

∩ Keeping their customers happy

∩ Getting more businesses

## **Local law firms**

Local law firms provide disputed court businesses to Sage. Sage can be hired to court cases for testifying in court as an expert witness. The next marketing decision of Sage will be communicating with local law firms within Ithaca and Binghamton regions and building strategic relationships with them.

*Current Relationship:*

- ∩ Business partners or no relationship

*Influential:*

- ∩ Potential customers, other Law firms

*Self-interest:*

- ∩ Winning the court cases
- ∩ Getting more businesses

## **College professors**

Both partners in Sage are college professors in business. Many of their daily contactors are professors or college faculty, who might have connections with CPAs, big companies requiring business valuation services, and law firms. College professors are important opinion leaders because they are experts in business domain and have authority. Most of the professors come from Ithaca College, SUNY Albany and Rensselaer Polytechnic Institute.

*Current Relationship:*

- ∩ Friends

*Influential:*

- ∩ Potential Customers, CPAs and Law firms

*Self-interest:*

- ∩ Publishing academic articles
- ∩ Becoming more professional in their field

## **College Students and former students**

Students are the other important sources of potential customers. College students might be the sons/daughters of some business owners who might need valuation services. They might also become the potential employees of Sage. In addition, graduated students in business schools

might start their own businesses or work as CPAs. Some of the businesses Sage had came directly from graduated students.

*Current Relationship:*

- ∩ Graduated students are friends of Sage
- ∩ College students are student-professor relationship

*Influential:*

- ∩ Potential customers, CPAs, Law firms and other professors

*Self-interest:*

- ∩ Graduated students want professional assistances or opinions of their careers
- ∩ College students want higher credits and learn more knowledge
- ∩ College students interest in internship opportunities

## **Professional Association and Community**

Both partners are members of National Accounting Association and other related academic associations. According to the interview, the CEO said memberships to these associations do not help growing businesses. The reason might be that these kinds of associations require pure academic involvement and do not allow business promotion. However, it is clear that Sage got potential promotion opportunities indirectly from these associations.

*Current Relationship:*

- ∩ Membership

*Influential:*

- ∩ Other scholars in the field of business valuation
- ∩ Potential customers

*Self-interest:*

- ∩ More members to involve and join into the association
- ∩ Improve academic researches in the field of accounting
- ∩ Stimulating exchanges of professional knowledge and new discoveries between members

## **Government**

Business valuation inevitably involves government policies. The biggest factor is tax policies and regulations that impact revenue and decision making in each business of Sage. Sometimes, business directly involves with local or state government, such as court cases between government and clients. In this case, Sage has to act as an expert witness to fight for the best interest of its clients. This emphasizes the importance of maintaining good communication and relationship with local and state government: both trying to get bills passed, certain politicians elected, and also understanding government funding and regulation trends.

*Current Relationship:*

- n No direct relationship. However, changing of policies and regulations might increase or decrease Sage's potential customers base
- n Major barrier in court involve Sage's clients

*Influential:*

- n Potential Customers
- n Customers

*Self-interest:*

- n Creating a healthy business environment for American industrials
- n Having more taxes income based on eligible requirements

## **SITUATION ANALYSIS**

Sage Financial Services is a partnership firm specializing in business valuation. It has very strong analytical and quantitative skills in business valuation and has lot of ways of solving difficult problems. Both partners believe Sage has a lot of asset capacity and they share the same motivation to increase their businesses. However, without effective communication strategies, Sage suffers a weakness of attracting customers and also a decrease in recent business. Now, Sage is facing the challenge of establishing and keeping positive relationships with local CPAs and law firms. The crucial point relies on whether or not Sage can establish an effective communication platform such as a company active-website, business questioning e-board or other high-tech communication methods. An attractive logo, a good slogan, and a clear mission statement are also important to Sage.

If Sage does not take action in the improvement of communication and marketing strategies, it might continue be unknown within its potential target market and lose potential business caused by ineffective communication with partner CPAs and law firms in Albany region. In the worst condition, similar firms might enter into the business valuation market and cause Sage to lose its exclusive advantage.

## **CORE PROBLEM/OPPORTUNITY**

In order to increase business and attract more customers, Sage Financial Service should establish strategic partnerships with as many CPAs and law firms they can find, and increase company awareness within upstate New York through effective publicity and communication campaigns, such as establishing a business website and designing a logo.