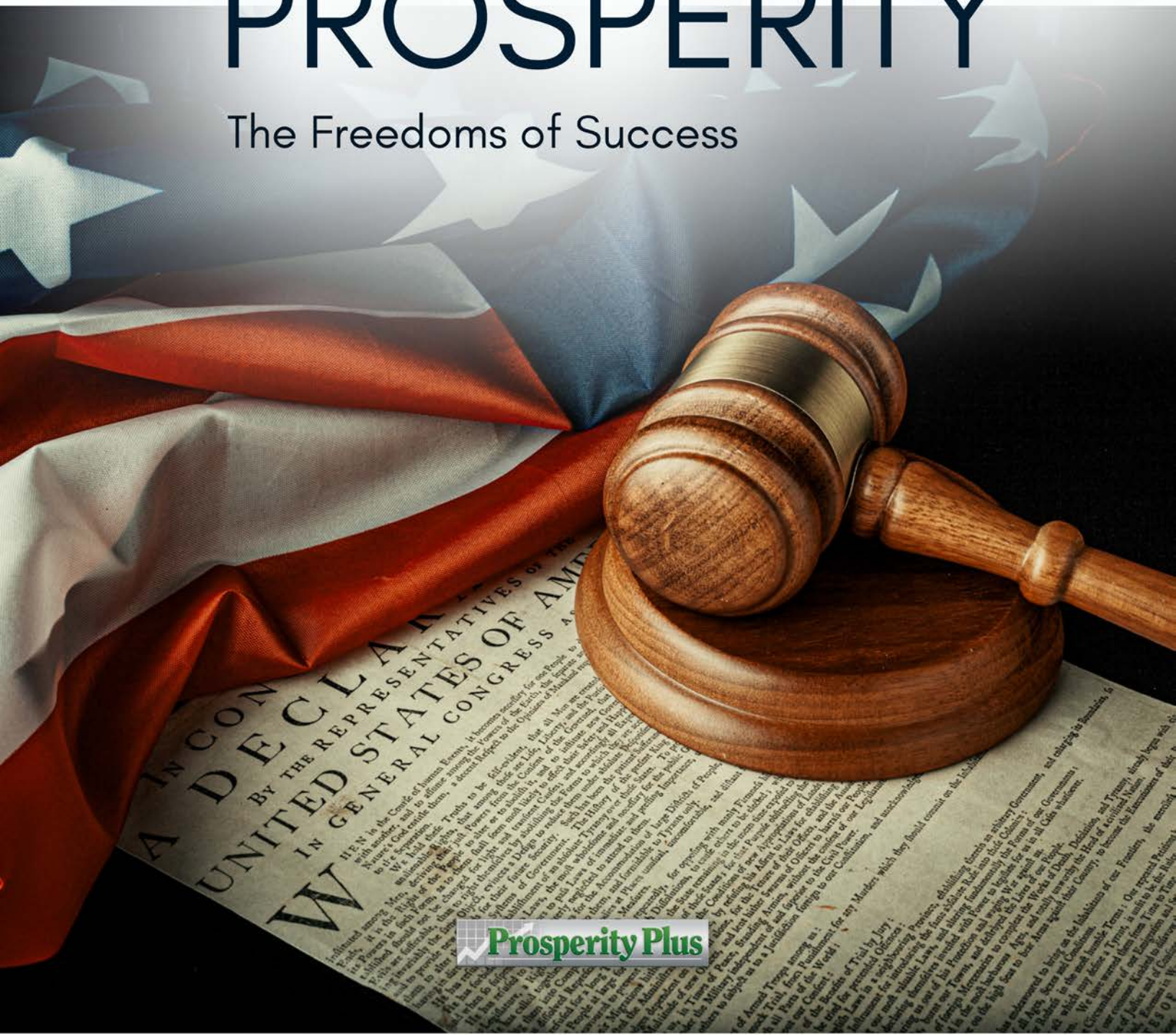


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HOW DOES INDEPENDENCE DAY RELATE TO YOUR BUSINESS?

written by Jim Kahrs

Being somewhat of a history buff and a very proud American has led me to read a number of books on the American Revolution. As we approach July 4th, our Independence Day, I find myself reflecting on what it took to win our beloved freedom. In doing this I am struck by the similarity to business freedom that many seek.

On July 4, 1776 the Continental Congress voted to declare independence from England and establish the United States of America. Too many Americans don't realize that this declaration came at the very early stages of the war to win independence. Had George Washington and the revolutionary troops not won the war we would not be the country we are today. The victory and surrender by England did not occur until 1781, six years after independence was declared.

I've seen many a business owner declare a goal to grow the business or increase profits or achieve other goals.

However, too often they fail to wage the "war" necessary to ensure the goals are met. A simple declaration by itself only signifies the decision and the goal. Moving forward requires a plan.

During the Revolutionary War American troops were outnumbered and out-manned by better-trained English troops as well as hired Hessian troops. There were many struggles and lost battles along the way. A large part of the American Army was nearly lost in the battle of Long Island in 1776. They managed to slip out under the cover of fog just before the British troops arrived at their camps. There were also victories that kept hopes alive. One such victory came on Christmas Day 1776 when General Washington led troops across a partially frozen Delaware River to attack British forces in Trenton, NJ. I can only imagine how cold it must have been and how badly the troops missed their families during the Christmas Holiday.

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INDEPENDENCE DAY RELATES...

continued from page four

Success in business often follows a similar pattern. You will have lost battles; a deal that went to the competition, an employee that didn't work out, etc. Reaching the goals you've declared requires one to push through the losses to the next battle. The best leaders figure out why they lost and adjust. Achieving this skill is critical to success.

So as we celebrate America's independence I challenge you to first realize what it took for us to be where we are today. We truly live in the best country in the world. Too many people take it for granted and don't really understand the level of commitment and sacrifice it took to win the independence we all enjoy today.

I also challenge you to consider what it will take for you to achieve your goals. We can learn a lot from those that came before us. When you feel like you're enduring more than you should, imagine spending the winter with tents for shelter, rags for clothing and very little food. I find this tends to put things into perspective. So, push through the adversity and achieve your goals.

THANK YOU to those that fought to win our independence and those that have sacrificed and fought over the years to make sure we keep it.

Reach Jim at jkarhs@prosperityplus.com

WANT TO SET UP THE RIGHT INCENTIVE PLAN FOR YOUR SERVICE & ADMIN STAFF?

Join us July 13 at 1 PM Eastern for a free webinar by Jim Kahrs, president of Prosperity Plus.

Achieving your goals requires having all employees maximizing their production and getting better and better results. Having strong incentive plans in place helps motivate and direct employees. However, many dealers struggle with creating incentive programs for people who are not in sales positions. Implementing a workable incentive program is easier than many business owners may think, and this is what will be covered in this free webinar with examples drawn from real-world situations.



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marketing support that Prosperity Plus provides us."*

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BE INDUSTRIOUS

written by L. Ron Hubbard

WORK IS NOT ALWAYS PLEASANT

But few are unhappier than those who lead a purposeless, idle and bored existence: children grieve to their mother when they have nothing to do; the low-mindedness of the unemployed, even when they are on "relief" or the "dole" is legendary; the retired man, with nothing further to accomplish in life, perishes from inactivity, as shown by statistics.

Even the tourist, lured by a travel agency's call to leisure, gives a tour conductor a bad time if he has nothing for them to do.

Sorrow itself can be eased by simply getting busy at something.

Morale is boosted to high highs by accomplishment. In fact, it can be demonstrated that production is the basis of morale.

People who are not industrious dump the workload on those around them. They tend to burden one.

It is hard to get along with idle people. Aside from depressing one, they can also be a bit dangerous.

A workable answer is to persuade such to decide on some activity and get them busy with it. The most lasting benefit will be found to arise from work that leads to actual production.

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FIRST IMPRESSIONS CAN DRIVE THE VALUE OF YOUR BUSINESS



from the Value Builder System

The initial impression customers have of your business often influences how much they decide to spend with your company. This is well known, but have you ever considered how first impressions affect the way potential investors value your business?

When raising capital, investors' initial perception of your business significantly impacts their valuation, affecting both the equity you'll need to give up for growth and the company's value when selling.

Take Jeremy Parker's experience raising money for Swag.com as an example. Investors initially perceived Swag.com as a simple distributor of promotional products. Despite Parker's efforts to position the company as more than a middleman, investors weren't convinced. They categorized Swag.com with other promotional product companies, offering Parker a low single-digit multiple of EBITDA for a stake in his business.

Parker re-strategized, presenting Swag.com as an e-commerce platform with a memorable domain name and a world-class, elegant, direct-to-consumer buying experience. This shift in perception transformed Swag.com from a simple distributor to a technology company in investors' eyes. As a result, Parker received an acquisition offer that valued his \$30 million company at a healthy multiple of revenue.

When it comes to raising funds or selling your business, optics matter significantly, and the way investors categorize your business in their minds plays a crucial role.

The Alibaba Discount: Why Diversification Can Hurt Your Valuation

Speaking of being categorized incorrectly inside the minds of investors, recently Chinese Internet giant Alibaba announced its intention to split into six separate businesses. In the two weeks following the announcement, Alibaba's market value increased by \$19 billion. Why would investors welcome such a move?

Alibaba consists of a range of businesses resembling those of Amazon.com, including e-commerce, logistics, and cloud storage. Before the announcement, Alibaba was valued at just ten times their earnings forecast for next year, yet each individual business as a standalone will likely fetch a much higher multiple.

Investors often discount businesses like Alibaba, as they are compelled to purchase assets they may not be interested in. They frequently apply the lowest value multiple of a particular business to the entire group of companies. Amazon faces a similar situation. The Bloomberg Intelligence Unit estimates that Amazon's cloud storage division, AWS, could be valued at \$2-3 trillion as a standalone business. However, as a collection of various services, from e-commerce to audiobooks and cloud storage, Amazon's entire market capitalization is less than half (around \$1 trillion) of what Bloomberg analysts believe just one of its divisions could be worth as a standalone.

Focus or Diversify? Striking a Balance Between Revenue and Valuation Goals

Investors typically prefer businesses that concentrate on dominating a single product or service rather than diversifying into various unrelated offerings. A diversified portfolio may lead investors to perceive your business as unfocused, which can result in a lower valuation. The same principle applies when you decide to sell your company. If your business appears scattered, potential acquirers may focus on your least valuable division and apply that multiple to your entire organization.

It's essential to prioritize your goals: Do you aim to grow your business by increasing revenue or enhancing its value? While these objectives are related, they require different strategies. Pursue diversification if your primary goal is to boost revenue. However, if you're striving for a more valuable company that could potentially be sold, maintaining a clear focus is crucial.

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