



*This issue brought to you by:*

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## **Will this be the year you seriously drive up the value of your company?**

If you have resolved to make your company more valuable in 2017, you may want to think hard about how your customers pay.

If you have a transaction business model where customers pay once for what they buy, expect your company's value to be a single-digit multiple of your Earnings Before Interest Taxes, Depreciation and Amortization (EBITDA).

If you have a recurring revenue model, by contrast, where customers subscribe and pay on an ongoing basis, you can expect your valuation to be a multiple of your revenue.

Not sure how to create recurring revenue? Here are four models to consider:

### **Products That Run Out**

If you have a product that people run out of, consider offering it on subscription. The retailing giant Target sells subscriptions to diapers for busy parents who don't have the time (or interest) in running to the store to re-stock on Pampers. Dollar Shave Club, which was recently acquired by Unilever for five times revenue<sup>1</sup>, sells razor blades on subscription. According to Wikipedia<sup>2</sup>, The Honest Company sells dish detergent and safe household cleaning products to environmentally conscious consumers and more than 80% of their sales come from subscriptions.

### **Membership Websites**

If you're a consultant and offer specialized advice, consider whether customers might pay access to a premium membership website where you offer your know-how to subscribers only. Today there are membership websites for people who want to know about anything from Search Engine Marketing to running a restaurant.

## Services Contracts

If you bill by the hour or the project, consider moving to a fixed monthly fee for your service. That's what the marketing agency GoBrandGo! has done to steady cash flow with attempts to create a more predictable service business.

## Piggyback Services

Ask yourself what your "one-off" customers buy after they buy what you sell. For example, if you make a company a new website, chances are they are going to need somewhere to host their site. While your initial website design may be a one-off service, you could offer to host it for your customer on subscription. If you offer interior design, chances are your customers are going to want to keep their home looking like the day you presented your design, so they might be in the market for a regular cleaning service.

## Rentals

If you offer something expensive that customers only need occasionally, consider renting access to it for those who subscribe. ZipCar subscribers can have access to a car when they need it without forking over the cash to buy a hunk of steel. WeWork subscribers can have access to the company's co-working space without buying a building or committing to a long-term lease.

You don't have to be a software company to create customers who pay you automatically each month. There is simply no faster way to improve the value of your business this year than to add some recurring revenue.

Interested in stepping back and learning more about opportunities to create value in your business this year? I would like to invite you to get your Value Builder Score.

Value Builder research shows that companies achieving a score of 80+ out of a possible 100 get offers that are 71% higher than the average company. Whether you want to sell soon or run your business for decades, getting and growing your score makes economic sense.

## [The Value Builder Score](#)

1. Jing Cao and Melissa Mittleman, Why Unilever Really Bought Dollar Shave Club, Bloomberg, July 20, 2016. <https://www.bloomberg.com/news/articles/2016-07-20/why-unilever-really-bought-dollar-shave-club>
2. Wikipedia, The Honest Company, [https://en.wikipedia.org/wiki/The\\_Honest\\_Company](https://en.wikipedia.org/wiki/The_Honest_Company)

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