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INSIDE THIS EDITION

Sethscapades IMAGINATION IS EVERYTHING

"Imagination is everything. It is the preview of life's coming attractions" – Albert Einstein

The most curious person I have met is my 11-year-old son, Seth. Seth has lots of adventures, which we call "Sethscapades."

Seth does not particularly like school. He finds it boring at times and can't quite sit still. However, 4th grade was an interesting school year for him. He had a teacher, Mr. Morrison, whom he nicknamed "Mo Betta" (as in "more better"). Mr. Mo, as the other kids called him, did not mind Seth's nickname for him at all. He was a free-spirited teacher and fortunately seemed to understand Seth's personality. During that school year, Seth frequently came home with amusing stories about his day. There are two experiences he had that year that stand out from the rest.

He came in the door after school one afternoon, yelling that he had won a contest. When his mom asked him what the contest was, he replied, "A worm eating contest that we had at recess." Disgusted, she asked him how many worms he ate, and he said, "Just one. No one else would eat any."

We heard about the second experience from another source (this is how we learn about many of Seth's stories). A classmate of his started talking about a bat on the playground that Seth had picked up. Seth's mom overheard their conversation about it and asked Seth what had happened, assuming the bat was a baseball bat. Apparently, there was a live bat lying on the playground at school. No one would touch it except Seth. He picked it up and was carrying it around until he showed the recess aide, and she told him to put it back and leave it alone. When his mom heard the story, she panicked a bit. She asked him if it had bit him or if he had washed his hands after. He just replied, "I can't remember."

Fourth grade turned out to be a pretty good year for Seth. At the end of the school year, when we asked him what he wanted to give Mr. Mo for a gift, he replied, "We need to get him the Wii game that his wife won't let him buy." So that's what we did. It seemed like an appropriate teacher's gift from Seth.

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A TRIBUTE TO A GOOD FRIEND

A good friend and colleague of mine recently passed away. Darrell Nilson and I first met when I was 28 and he was 70. It was a chance meeting. It was 2000, and I had started my career in the financial services industry the year before. I was attending an industry presentation, and the presenter wanted everyone to find a partner to discuss life ambitions and goals with.

As it happened, I was partnered with Darrell. Given our age difference, it was clear our minds were on very different things. The presenter asked about our current goals and where we wanted to be in five or 10 years.

As a vet in the industry, Darrell figured I was more interested in making money and establishing myself. He was right. His goals were centered on relationships and family. His priority was on keeping his family together and happy. Even though we had completely different mindsets and may not have seen eye-to-eye, this first meeting was the beginning of a meaningful friendship. Over the years, I would help him at his office, we would talk about life and family, and he became a mentor and trusted colleague.

Darrell also taught me a lot about being prepared. I had never met anyone who was as prepared as Darrell in everything he did. In any meeting, he was always ready to go, with every piece of information he could possibly need, and then some.

In 2008, Darrell and I were invited out to Georgia by Bill and Suzanne Baxter to attend the Masters Golf Tournament. Masters tickets are notoriously difficult to come by, and there is a very strict cap on attendees. Tickets almost never come up on the secondary market. I felt very privileged to have been offered the opportunity.

We arrived in Atlanta, had a wonderful dinner with Bill and Suzanne, and promptly at 6 a.m. the next morning, we were off to Augusta, Georgia, home of the Masters. Darrell and I walked the course, and it was an interesting experience seeing it from a new perspective. The hilly course was gorgeous even as we made our way through the crowds. That afternoon, we arrived at Hole 12, which is the famous par 3 with a bridge. We took our seats in the grandstand. I hadn't realized it, but our journey around the course had worn me out. I fell asleep. Here I was with my good friends at the Masters, and I was sleeping! I woke a short while later and looked over at Darrell, and he was sleeping as well! That was quite a day — and despite having a short nap at one of the biggest golf tournaments in the world, it's a day I'll never forget. I'm sure Darrell didn't mind.

He was one of the most courteous and gracious people I have ever known. He was always incredibly kind to our team. About five years ago, his wife, Darlene, developed Alzheimer's. It was a difficult time, but he never questioned his love for her. After she passed away, he had our team over to his home for a picnic to let us know how much he appreciated us.

Shortly before he passed in October, Darrell called me from Dallas. He told me he was on hospice care, and his heart was giving out. He didn't have much time, but he asked me how my family was and if the business was okay. He always kept up with the business and wanted to know how things were going.

My good friend Darrell lived a full, happy life. He was once an Air Force pilot and always active in his church, and most importantly, he made time for and shared his love with others.

I will miss you, my friend. – Justin

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The CURSE OF A *Perfect Rating*

Are you a perfectionist? Science shows it may be in your best interest to stop putting so much pressure on yourself now! According to a recent study from Northwestern University's Spiegel Research Center, consumers are highly skeptical of perfect ratings online. That means obsessing over every negative review may actually be doing more harm than good.

"Negative reviews have a positive impact because they help establish trust and authenticity," the report said. More than 80 percent of consumers actually seek out negative reviews when they research products, services, brands, and companies before they make a buying decision. Thus, it's not surprising why your prospective customers may be a bit wary if they look for negative reviews and can't find any.

People are attuned to the fact that no product is perfect — or at least, no product is perfect for every consumer. It seems suspicious, then, if there aren't any dissenters online. What's the magic rating that consumers are most attracted to? As it turns out, the ideal rating is between 4.2 and 4.5 stars. That's low enough to prove that the reviews are real, but high enough to suggest that the product is probably a safe bet.

This phenomenon applies across all product and service categories, but it's particularly pronounced when there's a "higher level of consideration." In other words, when shoppers are considering a major purchase — such as vehicles, electronics, or appliances — they tend to look for balanced, honest reviews more often, to help them make an informed decision. Studies also show that when reviews are brief, the shopper will look at a lot of reviews, but if the reviews are longer, the shopper may only read a few.

So, what's the takeaway here for a business owner? Stop stressing about the occasional negative review — it can actually be good for you! But if you still feel compelled to obsess over your online product ratings and reviews, now your obsession can at least be more sophisticated: "Another 5-star rating? Now I need two more 2-star ratings to bring the average down into the ideal range!" What a wonderful problem to have.

Should You Finance Your Business with DEBT OR EQUITY?

Contrary to popular belief, debt isn't inherently evil. While you can get into counterproductive debt with credit cards or excessive auto loans, there's also debt that can help you guide your business to new heights. The key is to manage your debt intelligently, so you don't overextend yourself.

First of all, keep in mind that taking on debt in a business means you aren't giving up any control over the management of your firm. This is crucial, and it represents one of the biggest advantages in taking on debt rather than selling shares of your company. Another perk is that the interest you pay on debt is tax deductible.

If you're confident that your company will be successful, it makes a lot of sense to fundraise with debt rather than investor equity. Just be aware that if your company falters, you're generally still on the hook for those debt payments. You can typically find debt financing through traditional secured loans, but keep in mind that these almost always some kind of personal collateral from the borrower.

When you choose to finance your business by giving away equity instead, you eliminate the biggest disadvantage of debt financing: a monthly debt payment that eats into cash flow. However, giving away too much equity dilutes your control of the company and could end up costing you significantly more money as your company's revenues and book value continue to grow, rapidly slimming your profit margins.

As a general rule, the more mature your company is, the more attractive you are to lenders, and the less attractive you are to investors. The reason is, lenders can expect to make their money back plus interest without much risk, while investors looking for a cheap ownership stake with high appreciation potential aren't likely to find it at your firm.

Ultimately, debt is a gamble. If you're a company founder, you shoulder more of the risk if a company fails, but you also receive a greater share of the reward if your business succeeds. With equity, you spread out the risk and the reward, but your investors also have an active motivator to do all they can to help your business succeed. These are the factors you must weigh as you grapple with the question of financing in your business. It's not easy, but the future of your business is heavily dependent on your financing decisions, so choose wisely!

COCA-COLA: A LESSON IN BRAND LOYALTY

New Coke is one of the most cited marketing failures of all time — but did you know it wasn't quite the spectacular flop history would like us to believe?

When New Coke was introduced in 1985, Pepsi was making major headway capturing the sugar-loving taste buds of American consumers. Coke's sales had slumped and Pepsi was becoming the drink of choice. The Coca-Cola Company assumed people switched to Pepsi for the sweeter flavor. Coke decided to experiment with their own sweeter flavor. After a series of blind taste tests, they confirmed consumers preferred a slightly sweeter cola.

The new experimental formulation even beat both regular Coke and Pepsi in taste tests. After receiving positive feedback from focus groups, with about 10 percent of participants reacting negatively, the company decided to go ahead with the sweeter, lighter flavor — but only after ending production of the old formula.

On April 23, 1985, New Coke hit store shelves, and the reaction was largely positive. People were buying the drink, but as sales increased, so did vocal opposition. Bottlers threatened to sue over syrup pricing policies, and many people in the South, where Coca-Cola had been a regional staple for decades, were upset.

Facing lawsuits, boycotts, and a flood of sternly-worded letters, production of New Coke was scaled back in July 1985. Coca-Cola Classic was "back" on store shelves, and a number of conspiracy theories arose from the whole ordeal.

Despite a poorly handled transition and a change to a product people had relied on for decades, the company bounced right back. Sales of Coca-Cola Classic exploded — but that wasn't the end of New Coke. Since 1985, New Coke had been on store shelves in select markets (usually branded as Coke II). It wasn't until 2002 that New Coke was officially discontinued.

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Answer Key

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9	6	5	2	7	1	3	8	4
1	7	2	8	4	3	6	5	9
6	5	3	4	9	7	2	1	8
4	8	7	3	1	2	9	6	5
2	1	9	6	5	8	4	3	7

Memes OF THE *Month*