

Value Matters™

The Complimentary Electronic Newsletter for Attorneys and Other Professional Advisors to Business

Volume 2005-04 • May 6, 2005

www.mercercapital.com
mcm@mercercapital.com

Announcing a New Blog – “Mercer on Value”

By Z. Christopher Mercer, ASA, CFA
mercerc@mercercapital.com

With this issue of *Value Matters*™, I am introducing *Mercer on Value*, my **personal blog**.¹ If you have never seen a blog before and are curious, I encourage you to click on the following link right now. You can come back to *Value Matters*™ after looking at *Mercer on Value*. www.merceronvalue.com

Since I am also the CEO of Mercer Capital, the blog can also be referred to as a **CEO blog**. Some of the recent **postings** to *Mercer on Value* have been (and feel free to link directly to *Mercer on Value* right now):

1. The Qwest is O'er: Less is More (Verizon and MCI)
http://merceronvalue.com/archives/2005/05/the_qwest_is_oe.html
2. What we DO is more important than what we SAY
http://merceronvalue.com/archives/2005/05/what_we_do_is_m.html
3. Strategic Thinking Booster
http://merceronvalue.com/archives/2005/04/strategic_think_1.html
4. Abundance vs. Scarcity (Value Attitudes)
http://merceronvalue.com/archives/2005/04/abundance_vs_sc_1.html
5. The TR Factor: Business Planning or Not?
http://merceronvalue.com/archives/2005/04/the_tr_factor_1.html
6. Great Expectations Disappointed (Harley-Davidson)
http://merceronvalue.com/archives/2005/04/great_expectati.html
7. Verizon and Qwest: The Saga for Control of MCI Continues
http://merceronvalue.com/archives/2005/04/verizon_and_qwe.html
8. Should we Hedge our Bets? (Hedge Funds)
http://merceronvalue.com/archives/2005/04/should_we_hedge.html
9. Where all the Children are Above Average (CEO Pay)
http://merceronvalue.com/archives/2005/04/where_all_the_c.html

¹ I am emphasizing blog terminology in bold letters to focus your attention on what might be a new vocabulary for some readers.

Let's discuss **blogging** for a bit and then we will come back to the purpose behind *Mercer on Value*.

What is a Blog? A blog is a **web log**. My blog's URL looks just like a web site – because that's exactly what it is. However, unlike a typical website which contains mostly static information, blogs are updated frequently providing consistently fresh content and insight to their readers. In fact, new content will be added to *Mercer on Value* at least twice a week, and hopefully, more frequently.

Blogs are changing the way people obtain and share information. Blogging is a form of publishing that is easy, instant, and available to all. Dictators have known for centuries that if they can control the press, they can control the populace. The **main stream media**, or **MSM** as these institutions are called by bloggers, understand the same thing. Blogs are breaking down the barriers to the control over “the press” and democratizing the publishing business.

Why are Blogs Important to Business? Blogs are changing the way businesses communicate. They have ceased to be merely thought of as a fad of political junkies but are being embraced by businesses throughout the world as a vehicle to communicate directly with customers. A recent cover story in *Business Week* entitled “Blogs Will Change Your Business” is evidence of the new found power of blogs in the business world.² The article begins with the following:

“Look past the yakkers, hobbyists, and political mobs. Your customers and rivals are figuring blogs out. Our advice: Catch up...or catch you later”

I have been writing about technical issues in business valuation for years, but have lacked a vehicle to communicate less technical, but perhaps, more important insights about value. *Mercer on Value* fills that void.

According to the Business Development Institute:

*“Blogging is one of the most recent manifestations of the Internet, revolutionizing everything it touches in society and business. Soaring adoption rates for blog-based communication are sweeping the world, changing the face of business, and having a significant impact on how companies raise awareness for their brand, products and services.”*³

How Many Blogs Are There? The latest count suggest that there are some 9.5 million blogs in the **blogosphere** (that portion of internet mindspace devoted to blogs).⁴

According to the *Business Week* article referenced above, some 27% of American Internet users currently use/read blogs at this point, but the numbers are rising.

I was not personally aware of blogging in any conscious way until early this year, when I picked up a book by Hugh Hewitt, entitled *Blog: Understanding the Information Reformation That's Changing Your World*.⁵ Interestingly, this book notes that as of November 2004, there were 4.5 million blogs, so you get a pretty good idea of the current blog growth rate, *more than doubling in the last six months!*

Will Blogs Replace E-Mail And E-Mail Newsletters? No, blogs are used in addition to these important tools and help solve communications issues that have evolved with them.

² Stephen Baker and Heather Green, “Blogs Will Change Your Business,” *Business Week*, May 2, 2005. <http://www.businessweek.com> (registration required).

³ <http://www.bdionline.com>.

⁴ <http://www.technorati.com> as of May 3, 2005

⁵ Hugh Hewitt, *Blog: Understanding the Information Reformation That's Changing Your World*, (Nelson Books, January 2005). Available at www.amazon.com.

How Do You Manage the Information You Want to Receive? Imagine that you know or have heard of Professor Stephen Bainbridge, a highly-published corporate law professor at UCLA. Imagine further that you want to know what he's thinking about business and economics and even politics and wine. Do you think he would e-mail you personally every time he has a thought? Absolutely not. But he has a blog, www.professorbainbridge.com, on which he posts his thinking on a daily, and often on a multiple times-daily, basis. Again, imagine if you could be notified the moment that he wrote something and that you could read it, or even a summary of it, whenever and wherever you were located (as long as you had access to the web). I like *Professor Brainbridge*, and recommend that you visit his blog!

Now picture that there are 10, 15, or 100 such persons or institutions which might include *Mercer on Value*, *The Wall Street Journal, Inc.*, and many other MSM outlets, and that all of their published thoughts on subjects of personal interest to you could be instantly available to you. Wouldn't it be wonderful if all of this key information – the very information you most want to receive – could be available to you in a way that is organized and easy to access, read, and/or retain. The good news is that it is.

With an **aggregator** you can receive notices of postings to many blogs, including *Mercer on Value*. A small investment of time may be necessary to decide what you want to read, or listen to (**podcasting**), or watch (**video blogging** or **vlogging**) all this can be yours, including instant notification and live links. This is possible because of **RSS**, aka Real Simple Syndication. Using RSS, it is possible to subscribe to specific blogs, or even to certain key words, and have all relevant information at your desktop. At present, only about 5% of internet participants are using RSS and aggregators, but *Business Week* predicts that their use will accelerate.

I predict the same thing because information delivered via an aggregator cuts down the time it takes to read what you want to read, eliminates search time (for the most part), and increases the time available to follow up on interesting aspects of what you are reading. This may just be your chance to leap to the (b)leading edge of the internet! We have included a list of aggregators that you can use at the end of this newsletter.

How Do You Read a Blog? I believe that most of us will be making some or even extensive use of aggregators and blogs within the relatively near future. I know that in a very short time each day, I'm able to focus on many more things that interest me via the internet and aggregators. Some of you will achieve similar results once you get started. The compounding effect of this growing recognition will be stupendous, and I'm not normally one for such extravagant words!

A good place to start is by reading a blog posting that discusses the very question of how to read blogs posted on Michael Hyatt's blog, *Working Smart*.⁶

About *Mercer on Value*. If you've read this far, then you may be interested to read the content found in *Mercer on Value*. While the content for the blog is still evolving, clearly the majority of postings will relate directly or indirectly to business value. As noted on the **About** page of *Mercer on Value*:

I have enjoyed looking at the world from the perspective of one who values businesses for many years now. That perspective has evolved into one that causes me to examine much of what I see and hear based on implications related to value – and values – as both pertain to businesses, projects, strategies or whatever.

My target audience consists of business owners, corporate managers and CFO's, both in publicly owned and private companies, and their advisors. And, of course, whoever else finds this blog of interest is a welcomed reader!

⁶ Michael Hyatt, the President and COO of Thomas Nelson Publishers, Inc., the largest Christian publishing company in the world and the ninth largest publishing company of any kind, has a personal, CEO blog named *Working Smart*. The Hyatt posting references another blog article by Stephen O'Grady, entitled "How to Get into Blogs 101."
http://www.michaelhyatt.com/workingsmart/2005/04/how_to_read_blo.html

Mercer on Value is designed to discuss what I observe in the world and business from the perspective of value, broadly defined. So this blog is an extension of the value-related thinking I've been doing for years. Historically, I have written and spoken about technical issues in valuation, on valuation methods, and on the development of valuation theory. I will continue to do these things. However, unless I can relate them to particular matters or issues of interest, I won't be addressing technical subjects in *Mercer on Value*.

I have been posting to *Mercer on Value* for some time now while we have been creating the blog and bringing it on-line. It has been "out there" on the web, but almost no one knew about it – and, other than my daughter and sister, there are only a few comments posted, but they are growing in frequency. With this issue of *Value Matters*TM we're introducing *Mercer on Value* to a wider audience, the 3,400 subscribers to *Value Matters*TM.

While starting a blog can be as simple as signing up with one of the many free or modestly expensive sites available in the internet, we chose a different platform, called Movable Type (<http://www.movabletype.org>). Movable Type is a more robust platform and can be used for a reasonable annual investment. A list of several blog platforms is provided below.

We chose to use a consultant to help set up the blog. Paul Chaney of Radiant Marketing Group (<http://www.radiantmarketinggroup.com>) is quite knowledgeable and has a blog of his own geared to helping business people understand and use blogs. He has been quoted recently in *Business Week* and *Inc.* and is very knowledgeable about blogging and the blogosphere. He enlisted the services of Lisa Sabin of E.Webscapes (www.ewebescapes.net) to design and host *Mercer on Value*. They have been important resources as we have brought the blog into being.

At Mercer Capital, Barbara Price, our SVP of Marketing, has been a champion of this project from the moment the idea came up; which was almost two years ago! But I just could not conceptualize how we might use a blog at that time. I promptly forgot about blogs until I picked up Hewitt's *Blogs*. Ken Patton, our President who is known as having said a few years ago (although he denies remembering it!): "I've been on the Internet and there's nothing there" has also been an unwavering supporter. Julie Reno, our Senior Marketing Specialist, has been enormously helpful with technical issues and with general encouragement. And my wife, Ashley, has helped me evaluate the appearance of the blog as it has developed and has been supportive of my stealing odd hours to begin my blogging career.

Conclusion. *Mercer on Value* is now available to you at www.merceronvalue.com. All you have to do to is to **opt-in**, as they say, either by visiting the blog on a regular basis or, more easily, by linking to it via an aggregator, or signing up to be notified by e-mail each time there is a new post. There is a "Subscribe" button at the upper right corner of my blog to facilitate your signing up.

I hope you will take a few minutes to visit the blog and read some of the postings. Feel free to comment about them. I will respond to them as appropriate and appreciate them nevertheless.

Happy blog reading, and, if you're particularly adventuresome, happy blogging! ♦

List of Aggregators:



List of Blog Platform Services:



ANNOUNCING MERCER CAPITAL'S E-BOOK LIBRARY

Title	Description	Release Date
Valuing Shareholder Cash Flows: Quantifying Marketability Discounts	<i>Quantifying Marketability Discounts</i> has been updated and is now offered as an e-book. Titled <i>Valuing Shareholder Cash Flows: Quantifying Marketability Discounts - 2005 E-Book</i> , this edition provides a brand new chapter which discusses each of the five assumptions of the QMDM in depth. As a bonus, when you purchase the e-book, you will also receive the <i>QMDM Companion</i> , the latest edition of Quantitative Marketability Discount Model in spreadsheet format. We plan to continually add content to this e-book and as a purchaser, you will receive this added content <i>free of charge when it becomes available</i> .	<i>Currently available</i>
Valuing Financial Institutions	We are responding to requests to put this book back into print and we are doing so as an e-book	<i>Currently available</i>
Valuation for Impairment Testing	The first SFAS 142 valuation resource for CFOs and auditors. Also available in printed form from our website at www.mercercapital.com .	<i>Currently available</i>
Are S Corporations Worth More Than C Corporations?	An e-booklet that adds to the S Corp vs. C Corp debate	<i>Currently available</i>

Visit our website at www.mercercapital.com for more information or to download an e-book.

MERCER CAPITAL ON THE ROAD

May 13, 2005

"A Primer on Business Valuation"
Pulaski County Bar Association
Little Rock, Arkansas
Z. Christopher Mercer, ASA, CFA

May 18, 2005

"Understanding Value and Forming Rational Expectations When Selling Your Business or Making an Acquisition"
MSCPA Program for Management Development
Jackson, Mississippi
Timothy R. Lee, ASA and
Brent A. McDade

May 19, 2005

"The Integrated Theory of Business Valuation"
Georgia Society of CPAs
Atlanta, Georgia
Z. Christopher Mercer, ASA, CFA

May 20, 2005

"Business Succession and Exit Strategies"
National Association of Personal Finance
Tampa, Florida
Z. Christopher Mercer, ASA, CFA

June 2, 2005

"The Integrated Theory of Business Valuation"
NACVA Business Valuation Conference
Philadelphia, Pennsylvania
Z. Christopher Mercer, ASA, CFA

June 22, 2005

"Valuing Intellectual Property & Other Intangible Assets"
Business Valuation Resources Teleconference
Matthew R. Crow, ASA, CFA, moderator

June 9-10, 2005

"Bank Valuation and Value Drivers"
PKF North American Network Financial Institutions Forum Teleconference
Atlanta, Georgia
Andrew K. Gibbs, CFA, CPA and
Z. Christopher Mercer, ASA, CFA

August 2, 2005

"Mergers & Acquisitions: The Transactions Behind the Transaction"
Wichita Program on Appraisal for Ad Valorem
Wichita, Kansas
Travis W. Harms, CFA, CPA/ABV and
Z. Christopher Mercer, ASA, CFA

October 18, 2005

TBA
Financial Executives International,
Memphis Chapter
Memphis, Tennessee
Z. Christopher Mercer, ASA, CFA

The professionals of Mercer Capital have a great deal of experience speaking to industry and professional groups across the nation on topics such as:

- The Integrated Theory of Business Valuation
 - Is Your Business Ready for Sale?
 - Purchase Price Allocation
 - Valuation of Employee Stock Options
- Litigation Support and Expert Testimony
 - Valuation of Privately Held Businesses, Partnerships, or LLCs
 - Financial Institution Valuation
 - ESOP Valuation

MERCER CAPITAL ADVISORS
Currently Offering Companies to Qualified Prospects

Mercer Capital Advisors is the investment banking division of Mercer Capital Management, Inc. and is offering the following to qualified prospects.

Nationwide Telecommunications Service Provider

specializing in site acquisition, zoning services, construction management and tower management

Mercer Capital Advisors is also offering other profitable companies to qualified prospects but those offerings cannot be disclosed here.

For more information, click on the company to Nicholas J. Heinz at 901.685.2120 or e-mail him at heinzn@mercercapital.com

A GENTLE PLUG FOR OUR FIRM

MERCER CAPITAL is a business valuation and investment banking firm serving a national and international clientele. Our reputation for excellence is based on an ability to solve complex financial problems expeditiously. We convert over 20 years of experience, including thousands of assignments, into solutions for the issues of today.

Mercer Capital provides a broad range of independent valuation and financial advisory services, including:

- Dispute Analysis Services and Expert Testimony
- Valuation for Corporate Income Tax Issues
- Purchase Price Allocations
- Goodwill Impairment Testing
- Valuation for Corporate Tax Matters
- Corporate Litigation Support
- Valuation of Employee Options
- Valuation of Intangible Assets
- Fairness Opinions

MERCER CAPITAL ADVISORS is the investment banking division of Mercer Capital and specializes in providing merger and acquisition services to sellers or buyers of private businesses or public companies divesting divisions and subsidiaries. In addition, Mercer Capital Advisors assists clients in industry consolidations, roll ups, and refinancings.

INTERNET COMMERCE: OBTAIN PROPOSALS TO VALUE YOUR COMPANY, BANK, FLP or LLC VIA OUR WEBSITE

The cost (in terms of your time and delays in obtaining proposals) has just gone down. Use one of the PROPOSAL REQUEST FORMS on our website.

Many of your colleagues have already used our PROPOSAL REQUEST FORMS and are impressed by the decrease in transactional overhead and the increased ease in obtaining actionable proposals for their clients. We are pleased to be doing business with them. Try it yourself! Visit our website and provide us with the pertinent information via this form and we'll prepare a proposal and deliver it to you via e-mail, fax or USPS. Complete confidentiality assured.

UNSUBSCRIBE

We will continue to send the newsletter as published at no cost unless you notify us that you wish to be removed from the distribution list. To REMOVE yourself from this list, send an e-mail to: merceroowner@mercercapital.com and type the words "Unsubscribe – Value Matters" in the subject line (without the quotation marks).



Headquarters:
5860 Ridgeway Center Parkway, Suite 400
Memphis, Tennessee 38120
901.685.2120 • Fax 901.685.2199

Midwest Office:
511 South 5th Street, Suite 206
Louisville, Kentucky 40202
502.585.6340 • Fax 502.585.6345

www.mercercapital.com

DISCLAIMER. This publication does not constitute legal, valuation, tax, or financial consulting advice. It is offered as an information service to our clients and friends. Those interested in specific guidance for legal and accounting matters should seek competent professional advice. Inquiries to discuss specific valuation or corporate finance matters are welcomed. Permission is specifically granted to send copies of this **Value Matters™** to others who might have an interest in its contents. Permission is also granted to quote portions of this newsletter with proper attribution.

Copyright © 2005 by Mercer Capital Management, Inc., all rights reserved. Text, graphics, and HTML code are protected by US and International Copyright Laws, and may not be copied, reprinted, published, translated, hosted, or otherwise distributed by any means without explicit permission.