

The Switzerland Structure

One of the eight factors that impact the value of your company is something the team at The Value Builder System™ refers to as “The Switzerland Structure,” which emphasizes the importance of business independence. It cautions against excessive reliance on any single entity, whether suppliers, employees, or customers. While many business owners recognize the risks associated with dependency on a high-profile customer or employee, the hazards of anchoring to a single supplier are often overlooked.

Supplier dependency comes in many flavors, but the most pernicious is a dependency on a single marketing supplier for sales leads, such as a dominant e-commerce site or social media platform.

6 Ways Marketing Supplier Dependency Cuts Your Value

Amazon, for instance, is a prime example where businesses heavily invest to gain market access and visibility. However, dependence on a single sales platform like Amazon can devalue a business in the eyes of investors or acquirers for several reasons:

1. **Increased Risk Exposure:** Sole reliance on one platform exposes a business to risks of sudden policy, fee, or algorithm changes. Such negative alterations by the platform could significantly impact the business's sales and profitability.
2. **Lack of Diversification:** Over-dependence on a single channel is perceived as a vulnerability, while a diversified sales approach suggests resilience and adaptability, appealing attributes to both investors and acquirers.
3. **Limited Growth Potential:** Exclusive reliance on one platform can restrict a company's growth opportunities. Investors typically favor businesses with multiple channels for growth. Being bound to one platform can limit a business's potential for expansion.
4. **Brand and Customer Relationship Limitations:** Operating primarily through a third-party platform may lead to limited customer interaction, hindering the development of a strong brand identity and customer loyalty, both highly valued by investors.
5. **Negotiating Power and Autonomy:** Dependence on a platform like Amazon can reduce control over crucial business aspects, such as pricing and customer service. Investors may view this lack of autonomy as a strategic weakness.
6. **Perception of Innovation and Independence:** Businesses demonstrating innovation and independence are often more attractive to investors. Over-reliance on a single platform can create an impression of a lack of these qualities.

How Chad Maghielse Improved His Score on the Switzerland Structure

Chad Maghielse's company, Pets Are Kids Too, originated with a simple spray to help improve his dog's breath and swiftly expanded to over \$2 million in sales with a 35% profit margin within three years, relying solely on Amazon. Recognizing the risks of this dependence on the e-commerce giant, Maghielse embarked on a path of supplier diversification.

Maghielse expanded to another e-commerce platform, Chewy.com, and launched his own online store. This strategy reduced Amazon's share of his sales to 65%, while Chewy and his store contributed 30% and 5%, respectively. A significant reduction in his business's platform risk and an increase in its appeal to potential buyers resulted from this strategic shift.

Thanks in part to Maghielse's diversification strategy, Pets Are Kids Too was acquired in a deal that valued the company at three times its EBITDA, with a substantial portion paid up front. Maghielse's journey highlights the critical insight that diversification not only shields against market volatility but also enhances a business's overall value.

Embracing the Mentality of the Swiss

Reducing your reliance on a single marketing supplier not only bolsters your company's market resilience but also notably increases its value. Adopting a Swiss-style mindset, which values independence and strategic autonomy, is more than a tactical move; it is a key strategy for achieving sustainable growth and boosting the value of your business in the long run.