

You Cannot Open a Store With a Can of Tomatoes and a Five-Pound Bag of Sugar

THIS IS MORE THAN AN ADAGE *IT'S A PROVEN BUSINESS PRINCIPLE!!*
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Everyone starts a **MARY KAY** business to be successful, and we all want to make money as soon as possible. The best way this can be accomplished is to start with at least the Superior Package or above (\$1800 or more wholesale, Section 1 only), or to **reach that level as soon as possible**. In a "real job", employers expect the first few weeks to be learning time and there is often no paycheck for 2 weeks to one month - depending on the time of hire. Your **MARY KAY** business is no different in that respect. There are skills to learn. Give yourself 4 to 6 weeks to "hustle" and get your business off and running quickly! Fast is easy! Slow is hard!

REASONS WHY YOU WILL BE MORE SUCCESSFUL WITH SOME INVENTORY:

1. **Immediate product availability** at the close of your appointments, after everyone has tried the products, knows how to use it and is excited, will generate higher sales and profits. You will tremendously increase the day-to-day operating efficiency of your business because you receive full payment at that time, avoid trips required in delivery, avoid risks of losing the sale because your customer has "cooled", and you can use that time to schedule and hold more appointments for continued sales! This merchandising strategy has created the great success **MARY KAY** Consultants enjoy today.
2. Those women who begin with \$600 or less usually take it from savings . . . which is a no-no. One cannot possibly sell enough from the first \$600 order to have enough cash for a second order without borrowing at least \$200 or more. She may not feel justified in spending more money because she feels she is not making any money. Frustration comes, and a consultant may even be tempted to quit without giving her business a chance to reach profit level, rather than deal with negative reactions from others.

Starting with a **Superior** Package or above disciplines you to work to pay back your investment. This puts your business on a business basis and motivates you to manage your money wisely. Your commitment is greater, and you are encouraged to stick with it. You will also be excited to have a "salary" from the very beginning of your career!

3. **SMART PEOPLE USE OTHER PEOPLE'S MONEY.** No astute businessman will tell you he began his business on his life's savings. He finances his business without putting personal funds at risk and he considers this an *investment* rather than a debt. **IT WILL BE REPAID FROM THE PROFITS GENERATED BY THE NEW BUSINESS** and will in no way interfere with your household budget or prior financial commitments. If you have not yet established credit in your own name, this may be your opportunity to do so. And . . . the interest on inventory accounts is 100% tax deductible!

4. If it is important for you to earn a salary immediately, beginning with a **Superior Package** or above allows you to pay yourself right away. **OTHERWISE, 100% OF ALL MONEY FROM SALES SHOULD BE REINVESTED UNTIL YOU HAVE PLACED AT LEAST \$3,000 IN CUMULATIVE ORDERS.**
5. Finally, the **Superior Package** or above establishes you as a **STAR Consultant** and a winner, and we have found that winning attitudes will be repeated. You will receive your **Ladder of Success** as a symbol of your commitment. Gem stars will be added every quarter throughout your career. You also win one of many lovely prizes **MARY KAY** offers to **STAR Consultants**, and you will receive referrals from the Company in your local area. **STAR Consultants** strive for greater excellence, and this level of activity (\$300 weeks) is necessary to build teams, win cars, and lead to management.
6. If it is not financially possible for you to begin with a full store, then allow *no more than 6-8 weeks* to work and invest to reach profit level as soon as you can. **MONEY MOTIVATES!!** When you are earning a steady income you will stay excited and committed to your business.

The decision is yours to make -- although inventory is not required, it is strongly recommended. Using the NEW Consultant Inventory Worksheet will help you determine which level of inventory is best for you.



IMMEDIATE PRODUCT AVAILABILITY IMMEDIATE CASH IN YOUR HANDS

SOURCES OF CAPITAL FOR YOUR MARY KAY BUSINESS***

- ~ Borrowing against savings
- ~ Credit Union or local lending institution (line of credit). A co-sign may be helpful in opening new accounts. You can always remove the joint name later.
- ~ Borrowing against life insurance policy.
- ~ Personal loan from family with pay-back arrangement (some would rather pay interest to family than to a lending institution).
- ~ Existing credit card can be retired for the new business -- great record for tax purposes!
- ~ Work and invest ALL monies until you reach profit level.

***Your bank loan payment is paid out of your 40% profit account, so when planning your "salary amount" be sure to include the payment to the bank that is paid from that 40% account. Here's how it works:

<u>Example 1</u> Sell \$100 a week (3 hrs) Sell \$400 a month (12 hrs)	<u>60% INVENTORY ACCOUNT</u> Deposit \$60 (60%) Total of \$240 towards next order of MK (50% discount)	<u>40% PROFIT ACCOUNT</u> Deposit \$40 (40%) Total of \$160 to pay bank loan and yourself (salary)
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<u>Example 2</u> Sell \$200 a week (6 hrs) Sell \$800 a month (24 hrs)	Deposit \$120 (60%) Total of \$480 towards next order of MK (50% discount)	Deposit \$80 (40%) Total of \$320 to pay bank loan and yourself (salary)
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<u>Example 3</u> Sell \$300 a week (9 hrs) Sell \$1200 a month (36 hrs)	Deposit \$180 (60%) Total of \$720 towards next order of MK (\$600 whl. Order every month = Sapphire Star Cons)	Deposit \$120 (40%) Total of \$480 to pay bank loan and yourself (salary)
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Until you have enough inventory, you cannot receive a salary because all monies should be put back into building inventory. A consultant with a full-time 40-hour-week job can still find 9 hours a week to work and earn the salary described in Example 3 on the previous page. And someone NOT employed outside her home can certainly work 36 hours a month to earn the salary described in Example 3!! And what about the rewards? How about free cars, luxury prizes for you and your home, prestige, the security of owning your own business where noone can lay you off, and the self-fulfillment of success!



Borrow \$2200 from a bank for 18 months – assume monthly payments of:

\$132.13 per month if 10% loan x 18 months = \$2378.35 (\$2200 principal + \$178.34 interest)
\$132.63 per month if 10.5% loan x 18 months = \$2387.34 (\$2200 principal + \$187.34 interest)
\$137.25 per month if 15% loan x 18 months = \$2470.50 (\$2200 principal + \$270.50 interest)
\$141.42 per month if 19% loan x 18 months = \$2545.56 (\$2200 principal + \$345.56 interest)

The interest on this should be tax deductible, particularly if you borrow it against equity line of credit. The monthly payment will be repaid from your 40% profit account. See Examples 1, 2 and 3 on previous page.

Even under minimum circumstances (\$100 retail sales per week) the loan payment can be made from the 40% account while still preserving the 60% replacement money so you can order with it and keep your inventory at the \$1800 wholesale level which is where you started.

Please remember that **credit cards are not recommended for long-term loans such as described above!!!**

When you do not pay off the entire balance each month on credit cards, the interest is figured again on the unpaid balance, thus compounding the interest! Then each month that you add charges and don't pay it off in full, you are paying more interest until it multiplies and becomes huge!!! **Credit cards are VERY GOOD TO USE if you pay them off entirely every month**. I use mine for almost everything (including groceries) because I get airline miles for every dollar I charge on my card. But I pay it off every month. I never pay any interest so I'm in essence using their money for free (except for the annual charge for the use of the card).

I suggest you use your MasterCard or Visa on a monthly basis to buy Mary Kay inventory and then when the credit card bill comes due, **PAY OFF THE ENTIRE BALANCE USING THE MONEY FROM YOUR 60% INVENTORY ACCOUNT**. In fact, by splitting your deposits into 2 accounts, you'll always know when you should order because the money will be there in the 60% account!!

THE VALUE OF A GOOD INVENTORY

Building and maintaining a good inventory is the first step toward establishing a strong personal care consulting **business**. Just as you depend on your florist to carry fresh flowers, your clients depend on you to have products on hand when they need them. By planning ahead for your client's needs, you'll be able to provide immediate product delivery. In addition to saving time and money, a good inventory will motivate you to reach higher sales goals, increase client satisfaction, and reduce business costs.

Keep in mind that you are starting **YOUR OWN BUSINESS** and inventory is **KEY** to success in **business**. Can you imagine the difficulty of a retail store opening for business with a minimum inventory versus the same store with a full and complete selection of merchandise?

OUR FIRST FEAR - BORROWING Many bankers are more willing to loan to a good stable woman, regardless of age, because generally, she has a good repayment record. (*I guess that means if we decide to do something, we usually do it!*) Also, remember that bankers appreciate the security of a **MARY KAY** business, that you have a **90% REFUND GUARANTEE**. If you have ever financed an automobile and somehow found the money to repay the loan (many thousands more for a much longer time) . . . why would you hesitate to finance a small amount to start a business that could double or triple your income and provide future financial security? **Money that *doubles* in value (buy for \$5 and sell for \$10) is an investment, not a debt!!**

OUR SECOND FEAR - INTEREST RATES “*Are they too high?*” “*Should I only order a minimum amount?*” Do you realize there is only a \$30 difference between borrowing \$3000 for six months at 18% versus 14%? Do you realize that if you borrow \$600 at 18% for six months versus borrowing \$3000, that it is only \$90 more? Remember that interest paid is like a service fee for the privilege of **using other people's money** to run your own business. And . . . it is deductible as a business expense!

OUR THIRD FEAR - CAN I PAY IF OFF? The average class (3-4 people) will conservatively yield sales of approximately \$200. Keep in mind that you will also receive repeat orders that bring a 50% profit! What does that mean? Simply this: if you begin your business with the **Superior Package** and you hold just ONE class and ONE facial per week, you will have your payment and realize some profit, too. But more importantly, you now have \$1800 in product *that you own*, and that is valued at \$3700 when you sell it! But . . . what if you hold 3 or 4 appointments each week, plus your reorders, plus recruiting commissions? Figure it up - it will amaze you!!

And . . . don't make the mistake of thinking that because you now have a full store you won't have to order until it's gone. The **Superior Package** is just the starting point for growth and future income. Keep your product inventory up-to-date and plan for future growth by first *maintaining*, then *increasing* your volume gradually as your business activity dictates! **Replace what you sell EACH MONTH!!**

Planning a good inventory is vital to building a strong and growing **business**. You can't sell what you don't have. And **NEVER, NEVER** spend the 60% that belongs to your **business**. As long as you have adequate inventory, you can convert into more money.

IF YOU'RE OUT OF MERCHANDISE, YOU'RE OUT OF BUSINESS!



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