

Thank you Tammy Crayk, Million Dollar ESD for sharing!!!

DOLLAR\$ & \$EN\$E

Ever dream about having a MONEY TREE? You could just go pick off a fresh crisp HUNDRED DOLLAR BILL each day! BAD NEWS! There is NO Money Tree!

You have to take care of your money yourself! Do you ever wonder where the money is going that you are supposed to be making in your Mary Kay career? It was not until I started to treat my business like a business and think like a business woman that I saw it! Sometimes, I used to spend cash on the way home from my classes or pay some bills and then wonder why I didn't have the money to order my inventory. Then the light bulb went on. I should have a separate account for my inventory! EVERY PENNY is deposited into this account and at the end of the week, I can write myself a check for my profit!

To find your profit, take 40% of your sales without the tax. You should leave 60% + all tax in your reorder account to place additional orders!

First though, we need to build inventory to a profit level! It is a proven fact that we do three times the business if you have sufficient inventory to service our customers immediately! Start by looking at your shelves to see how close you are to your retail level! Generally, you need about \$7200 retail (\$3600 wholesale) to be on a profit level. If you are not there yet...you will need to reinvest 100% of all money you take in into your reorder account!

How long does this take? It can take one month, one year, five years!! It depends on YOU! How long will it take you to hold enough appointments to establish your business on a profit basis? Here is a plan of action!

1. Determine your present amount of products on shelf!
2. Subtract that amount from your determined profit basis! (The more activity, the higher inventory level needed)
3. Decide how many CLASSES it will take (at an average of \$125 per class) to sell enough to reach profit level!
4. BEGIN!

Part 2: WHY DO YOU NEED TO OPERATE FROM A PROFIT BASIS?

It is harder to do business from an empty store! Plus, the motivation to set up appointments is destroyed by the fear of not being able to deliver.

Customers will buy MORE when the product is readily available!

WHY NOT JUST HOLD APPOINTMENTS AND TAKE ORDERS AND THEN DELIVER???

TIME IS MONEY! It is costly to retrace our steps delivering product owed from appointments, trading with consultants, etc. Yes, we all run short occasionally of some product.... but by having adequate inventory, this is very infrequent! You should NEVER borrow! Always do a trade!

WHY A 60% - 40% SPLIT?

When you divide your money correctly (60% of all sales + all the tax left in your reorder account) and only take profit of 40%, you are covering things like hostess credit, PCP, sales aids, etc.

Part 3: WHAT COMES OUT OF THE 40%?

Remembering that 40% goes in your profit account, and 60% + all the tax stays in your reorder account, let me share with you what comes out of the profit!

First of all...understand that ALL that money is yours! However, you have a choice! You can treat this like a business, spend that money wisely and as a result you will grow your business and GROW your money! Now when I began as a consultant, I was not very experienced in handling money and it was

EXCITING to have all that CASH in my hands! I spent it ALL!!!! Yes, I did... and I want to tell you what a MESS I made of my business initially!

I had borrowed the money to place what would now be equivalent to a \$600 wholesale order. I sold about half of it and spent the money. Now I had a loan payment, odds and ends of merchandise and NO money! I couldn't even put together a complete set! I borrowed more money! This time I set aside my 40% profit (even though I wasn't on a profit basis), and used the 60% + tax to reorder product, make my loan payment, buy my gas, pay my sitter, --- needless to say, I wasn't able to buy much merchandise. You see, I thought that the 40% was JUST FOR ME! I didn't realize that my expenses needed to come out of my profit!!!!!! I borrowed MORE money!! I FINALLY GOT SMART! I realized that the 60% was ONLY TO REPLACE MERCHANDISE and a minimum of Section 2! Everything else had to come from profit!! Doing anything else means that you are depleting your inventory little by little!

It is for this reason that you really need to watch your expenses! Here are some of the pitfalls that I see happening...

1. Overbuying Section 2.... We look at what the order form says-- we think "I wonder what that is.... it's only a couple of dollars, think I'll get it." Those dollars add up!! Section 2 should be no more than about 5-10% of your wholesale.
2. Overusing credit cards A debit card serves the same purpose! If you began with a credit card, work out a plan to pay it off and work from cash from now on. (there will be a later message on reducing credit card debt.)
3. Using all your money to pay your loan...You should set your payments low enough so that you can build your inventory!
4. Giving away too much product! A simple and effective hostess credit plan is best! Here in Knoxville, we teach the following: The hostess gets 10% of the sales (before tax) in hostess credit. If she has TWO bookings from her class, we will DOUBLE her hostess credit! What is double credit? It is 20%! But it sounds much more exciting to tell her.... "If you have two classes booked from your class, I'll give you DOUBLE hostess credit!" That means, if the hostess has a \$150 class with two bookings, she gets \$30 in free merchandise. Your cost is \$15. Don't get lured into these great sounding plans where you are giving away too much product! It just isn't necessary!

Part 4 - How to Reduce Credit Card Debt!

Do you currently have enough inventory to be on a profit basis...yet you still have some credit card debt? You will not be truly on a profit basis until you OWN your store, FREE and CLEAR! The important thing to remember is that you need to begin using a DEBIT card rather than a credit card if you want to significantly reduce that debt (or bank loan...either can use this system.) Remember that you MUST NOT eat into that REORDER MONEY... the 60% + all the tax, because each time you do, you are lowering your inventory level.

Instead, work from profit. Here is a plan:

When your credit card bill arrives, make four copies of it. Immediately pay the minimum payment which is due. Each week, at the end of the week, make another payment out of your PROFIT. You will be quadrupling your payment schedule and the balance will start shrinking! If you can do without your profit, put it all on the credit card each week and watch the balance go down quickly! If you have a bank loan, do the same thing with your payments. Many times, any additional payments go toward the principle entirely, although this depends on the type of loan you have.

If you are not on a profit basis, you need to make minimum payments until you are and then follow the above plan. The worst thing you can do is pay everything on the credit card and then charge more. This usually results in sending that credit card amount sky high!

Part 5 - Planning Your Business Expenses

Part of running a successful business involves planning ahead for expenses that you will encounter during the year. When you work on commission, it is important to budget your business expenses, determine the money that you will need for them and set it aside each week or month. What are these expenses?

They will vary according to your goals for your business, your involvement in your business and your family decisions. For example, a single woman whose entire income is from her MK business will want to figure her automobile expense in as a business expense, while a married woman who is just as involved with her business may possibly not be concerned about car expense since it is already figured in the family budget.

If you have high goals for your business, you will also usually have more business expense. To a point, there is a high correlation between the money you spend on your business and the return! However, you should never spend just because it is deductible! Plan carefully, but there are a few things you should not scrimp on!

Here are list of business expenses with some thoughts about each!

1. PREFERRED CUSTOMER PROGRAM - For me, this expense comes out of the 60% I set aside in my reorder account. The gifts I purchase are just like Section 2 items. I am careful about who is on my list and I don't keep inactive customers (who have ordered nothing in a year) on that list. I also order only about 1 gift for each 5 customers...remember, you can always order more if you need them.
2. CAREER CONFERENCE - The cost on this is usually around \$100 and for the consultant who wants to make this a career, increase her income significantly or move up the career ladder, this is a must! This is an item that must come out of either your profit or your recruiting commission.
3. SEMINAR - Also a MUST if you are planning to move up in this business! You'll hear more from me on this later..... cost is dependant on where you live and how you travel.
4. LOCAL WORKSHOPS, RETREATS, GUEST EVENTS, & SALES MEETINGS – Sales meeting fees vary greatly from city to city.
5. POSTAGE for product mailed
6. YOUR WEB SITE
7. PRODUCT PACKAGING FOR GIFT SALES

Whew!! It is mind-boggling! If you have been in business for awhile, you might want to go back through your expenses, add them up, divide by the number of months, and plan to set that amount aside each month for expenses. However, here are some suggestions of things you can do to keep expenses down and plan for what is going on.

1. Make every expense pay off! Are you going to a guest night event which costs \$5? BE SURE you have five or more guests going with you! It will MORE than pay off!
2. Increase your income! Sounds simple, doesn't it! Here is the good news! Product sales are through the roof! If yours aren't, perhaps you just aren't asking enough people! Maybe you need to brush up on your skills at Sales Meeting! Maybe you need the inspiration and motivation of being with your sister consultants once a week! THERE IS A DIRECT CONNECTION BETWEEN SHOWING UP EACH WEEK AT THE MEETING AND GOING UP IN SALES!
3. Recruit! Maybe you don't want to be a director or even earn a car! BUT, having even a small team can provide a significant commission each month! That commission could completely pay all your expenses and leave your profit entirely for your own use!
4. Take advantage of free offers! A bonus offer from the company of \$45 worth of products on a \$600 wholesale order, will offset some of your expenses! Plan your ordering to get the most free possible!
5. Work from a position of strength. Adequate inventory and a full datebook give you a sense of security and confidence.
6. Watch your spending on Section 2! (I know I've already said this once!) Remember that you are spending money for things you will give away or demo with.

7. Watch what you give away! I am amazed and dismayed at some of the hostess gifts I see promoted and encouraged. KEEP IT SIMPLE! (See more information on this above)

8. Finally, treat this like a business! If you do, it will pay you more than you can ever make anywhere else for the same amount of time!