



# New Consultant Training

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# The Importance of Inventory



## **The Importance of Inventory**

Starting with and maintaining a good supply of inventory is the first step toward building a successful Mary Kay business. Just as you depend on your florist to carry fresh flowers and a department store to carry your size in clothing, your customers depend on you to offer the same service. When you have a full inventory, you will be able to offer your clients on-the-spot delivery. This often leads them to purchase more products because they understand how you can save them the time and money of going to a department store for their skin care and glamour items. Carrying a full inventory also saves you valuable time and money. Your time will not be wasted tracking down the needed products or putting in multiple frequent smaller orders. With larger orders, you will also be able to take advantage of the full discount offered by the company. A good inventory will also motivate you to reach higher sales goals, increase customer satisfaction and reduce business costs.

Most new consultants do not understand the importance of their initial inventory investment. You must remember from the beginning that you are starting your own business, and inventory is one of the key things to building a successful business. Can you imagine the difficulty of a retail store opening for business with very little inventory, versus the same store with full and complete inventory? Wouldn't you rather shop at a store that carries your size in clothing with multiple colors and styles to choose from?

**Please carefully read the following pages in order to fully understand the inventory options available to you. Remember, your director is available to answer any questions or to clarify the options, but the final decision is totally yours....**

## **There is "Business Power" in a full and complete inventory!**

### **1. Confidence With Inventory**

A full inventory will give you the confidence you need to book your first skin care classes, because you will know that you have the products you need to supply them. A full inventory gives you plenty of everything to sell. Starting with a full inventory makes you a winner because you are a STAR CONSULTANT from the very beginning. Attitude makes the difference, and a positive attitude instills confidence like nothing else will.

### **2. Sales Advantages With Inventory**

Because cosmetics is often an emotional buying decision, women tend to purchase more when they can receive the products immediately. When you start with a small and incomplete inventory, you will be trying to guess what products you will be selling in your first couple of classes and will be frustrated when your customers order what you do not have. This is as difficult as a store trying to guess the sizes and tastes of their customers, instead of carrying a wide variety of clothing sizes, colors and styles.

### **3. Operating Efficiently With Inventory**

A well-balanced inventory that is ready for delivery tremendously increases the day-to-day operating efficiency of your business. Starting with a full inventory eliminates the need to turn around and place an immediate second order. This eliminates the need to have your customers wait for your next product order to arrive, and eliminates the need to make a second delivery trip; and time equals money!

### **4. Motivation With Inventory**

If you borrowed the money so that you could begin your business with full inventory, you will be motivated to sell products each month to make your loan payment. This will encourage you to treat your Mary Kay like a business, rather than a hobby.

## **There is "Financial Power" in a full and complete inventory!**

### **1. A Full Inventory Allows You to Take Advantage of New Consultant Incentives**

Starting with a full inventory allows you to become a Star Consultant in your first month with a genuine diamond stone in your star! You will also receive your 'Ladder of Success' pin in 12K gold with a star on the first rung of your ladder. This will also allow you to take advantage of the free bonuses that Mary Kay gives to new consultants based on their initial order to the company. These are free gifts from Mary Kay for making such a wise business decision. These products can be sold to your customers for the full retail amount.

### **2. A Full Inventory Puts You on a Profit Basis Immediately**

If you start with a full inventory, you will only need to reorder the products you sold and pay your expenses. The remaining dollars is your profit. Seeing a profit from your efforts encourages you in your business and motivates you to continue booking classes and selling product. **If you start with a less than adequate inventory, you will need to reinvest all your profits back into your business.**

### **3. Your Inventory Investment Should Not Affect Your Personal Finances**

In most cases, it is best to not start your business with your own personal savings account or personal credit card. Even if you are able to finance your business, you should consider borrowing the money from a bank. The interest paid on this loan is a business tax deduction. The loan payment should be paid by your product sales, not your personal finances. Remember, starting your business is an investment which will make you money, you are not simply "spending money".

Most banks look forward to you walking in their doors and filling out a loan application (sometimes you can even apply by phone or internet). However, most banks hesitate to make small loans since they are in the business of lending money and most banks will not consider loans for less than \$1,000 or \$1,500. If you do not meet their lending criteria, they may be able to suggest a bank that will work for you. Oftentimes, a smaller bank is more flexible than a large bank.

If you choose to use a low-interest credit card versus a loan from your bank, the balance on the credit card should be treated as a loan rather than treated as a bill. You need to designate this credit card for strictly Mary Kay use, and the payments toward this credit card should come only from your Mary Kay profits. Designate an amount each month to pay towards your credit card "loan," so that you do not feel obligated to pay off the balance immediately. Remember, whatever method of financing you choose, it should not affect your personal finances.

## **How to Build and Maintain a Full and Complete Inventory**

### **1. Building a Full Inventory**

Generally, the company considers a consultant, to be at profit-level inventory when she has around \$3,000 wholesale (\$6,000 retail) of Section 1 products on her shelf. At this level, she will be able to carry all of the Mary Kay product lines. Until you reach this point, 100% of your sales should be reinvested into building your inventory--with little or no profit taken out for yourself.

If you decide to start your business with a full inventory by borrowing the necessary investment, you will be able to pay back your loan by holding only a few selling appointments each month.

If you choose to start your business with a small inventory with the intention of building your inventory, you may have no loan to pay back but also have no profits to spend! All the money from your sales will need to be reinvested back into your business to build your inventory.

### **2. Maintaining a Full Inventory**

When you have a full inventory, you should establish two bank accounts for your business. In the first account, you should deposit 60% of all your product sales, plus 100% of the sales tax you collect. This account is to be used to replace the products that you sold (section 1), purchase the necessary sales aids (section 2), and cover your hostess credit. In the second account, you should deposit 40% of all your product sales. This account covers any loan payment and miscellaneous expenses. Anything in this account after these expenses are paid is YOUR PROFIT! A consultant who takes profit from her sales before replacing the products sold and paying her expenses will soon deplete her inventory.

## **Top Ways to Get Money**

### **1. Personal Bank Loan**

- A. This type of loan is based on your own income and credit history. Your director may know of a banker in your area she has worked with. Call her!!
- B. If you are unable to obtain a loan based on your own income or credit history, see if a friend or family-member will co-sign a loan for you.

### **2. Credit Union Loan**

If you are employed and have a Credit Union; or if married, your spouse might have a Credit Union at his place of employment.

### **3. Credit Card Loan**

Visa and Mastercard have ways to borrow money.

### **4. Overdraft Checking**

An overdraft that is charged to one of your checking accounts.

### **5. Family Loan**

Borrow from one or more family members.

### **6. Life Insurance Loan**

You can borrow against your life insurance usually at a very low rate of interest.

### **7. Hidden Treasures**

"Pawn" something of value.

### **8. Have a garage sale.**

Now that you have read and understand all of the inventory options available to you, ask yourself the following questions: Do I want to earn a profit from my business immediately or can I wait to take a profit until I build up to a full inventory? If I start with a small initial inventory, will I be patient enough to invest the time, energy and money into this business without seeing the immediate profits? Do I understand the advantages both financially and personally of starting with a full inventory?

**Remember, your director is available to answer any questions, clarify your options, and help you place your first order.**