

## Understanding Ordering

Many thanks to Donna Bayes, Senior Sales Director

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One of the first decisions a new consultant must make is to decide if they want to stock inventory for on-the-spot delivery, or take orders, collect the money, and then place an order, delivering when the product comes in.

I figure most women are like me. When I want something, I want it now! I don't want to have to wait. Customers have often commented to me that they appreciate the fact that I have a full inventory and can deliver anything to them at any time. So, my suggestion to any new consultant is to begin building your inventory immediately.

### Should I Order Inventory?

Consider the following when making your decision:

**You have the choice in Mary Kay to service your customers in one of two manners:**

- Deliver product to your customers as soon as they place their order. You carry product in your home which you have purchased in advance to sell to your customer, or ..
- Customers place their product orders to you, and you accumulate their orders and then place an order to the company to service your customers for the products they need.

**A decision to purchase inventory depends on two factors:**

- Resources - Do you have the capability to make the purchase?
- Goals - What level you choose should depend on your business goals.

The single most important issue involved with inventory is that you make a decision that you are happy with, so that you are able to focus on succeeding in your Mary Kay business. Either choose to carry inventory or place orders to the company to service customers, but either way, make a decision and be happy with your decision.

**Benefits of stocking inventory in your home:**

- **Higher Sales** - Women want their products as soon as they try them. Your sales will be 50% higher if you carry inventory to give immediately to your customers.
- **Less Returns** - Women do not usually change their mind once they have the product in their hands. If they have to wait for product they can change their mind about their order due to money stress, or husband.
- **Confidence** - You are more likely to actively work your business if you have product on your shelf. You will feel like a professional and have more confidence in your sales ability.
- **Motivation** - Your inventory will motivate you to do your business when you lack self-

motivation. Product sitting on your shelf will get you out there selling! It's instant cash!

- **Profit** - You will see a profit quicker from carrying inventory. If you have to place orders, it takes longer to see profit. Also you can see a higher commission level from your sales, since you will need to order less often.
- **Higher Reorders and Less Customer Drop-off** - If you are able to immediately service your customers once they run out, they will learn to depend on you. If you have to place an order to the company, they may look for another consultant who carries inventory.
- **Less Frustration** - The consultants who do not carry products tend to get frustrated with their business and sometimes to the point of quitting. Not carrying inventory is one of the most common reasons for consultant dropout.

## How Much Should I Order?

It doesn't make a bit of difference to me how much you order. That is a business decision that you will have to make. However, I can give you my recommendations.

Work through this **New Consultant Inventory Worksheet** to help you make an educated decision.

- **Do you have the resources to purchase MK inventory? Yes \_\_\_\_ No \_\_\_\_**  
Possible resources: Credit card, personal loan, savings, loan from family, etc.
- **What are your MK goals?**

**Check the one best answer from each category below:**

### APPOINTMENTS

- |                                 |                      |           |
|---------------------------------|----------------------|-----------|
| 3 or more appointments per week | (15+ Hours per Week) | _____ (3) |
| 1-2 appointments per week       | (5-7 Hours per Week) | _____ (2) |
| 2-3 appointments per month      | (3-4 Hours per Week) | _____ (1) |
| 1-2 appointments per month      | (1-2 Hours per Week) | _____ (0) |

### SUCCESS MEETINGS

- |  |           |
|--|-----------|
| I am committed to attend the trainings each week             | _____ (3) |
| I plan to attend trainings twice a month                     | _____ (2) |
| I plan to attend the trainings when it fits into my schedule | _____ (1) |
| I do not plan to attend the trainings                        | _____ (0) |

### LONG RANGE GOALS

- |   |           |
|---|-----------|
| I would like to earn the use of a Mary Kay car or become a Director | _____ (3) |
| I would like to replace my full-time income                         | _____ (3) |
| I would like to build a solid base of customers                     | _____ (2) |

I will mainly use the product for myself, rarely doing appointments \_\_\_\_\_(1)

### **DESIRED MONTHLY PROFIT**

\$1200 and up \_\_\_\_\_ (3)

\$400 to \$1199 \_\_\_\_\_ (2)

\$100 to \$399 \_\_\_\_\_ (1)

No monthly profit \_\_\_\_\_ (0)

### **CALCULATE YOUR POINTS TO SEE THE INVENTORY LEVEL SUGGESTED**

12 Points Career, Professional or Premium Package

10-11 Points Superior Package

6-9 Points Superior or Enhanced Package

3-5 Points Basic Package

0-2 Points Personal Level (personal use items package)

### **How Do I Pay For My Initial Inventory?**

This can be done by several means. When I began Mary Kay twenty-five years ago, we were always told to treat this business as a real business and get a business loan for inventory. With the 90% buyback guarantee, it was a low-risk option. We didn't have the privilege of using a credit card to order in those days, so 95% of all consultants went to the bank and borrowed the money. With the option today of credit cards at a low interest rate, this might be a better decision. I'd go for the lowest interest, but I'd stock inventory if at all possible. I believe customers will buy more and remain more loyal to the consultant who has inventory available for immediate delivery.

What if you don't have a credit card available for inventory? I'd go to the bank (first choice) or a finance company (second choice) and ask to borrow the money. The free options you get from the company on your first order as a new consultant can help offset the interest you will pay on the loan. It's just smart business. Even if you have to pay a higher interest rate as you develop or improve your credit rating, it can be offset by your profits.

In my opinion, if you do borrow the money, ask that the payments be stretched out over a longer period of time, to keep the payments manageable. And then work to pay off the loan more quickly. Make double payments each month if you can.

It is also my opinion that if you borrow the money, then you should get a [full inventory](#). I remember back when I began, and I was scared to death that I wouldn't be able to sell anything. So I borrowed enough to place the equivalent of a \$600 WS order. It gave me just a little bit of some of our product line. (I had thought a truck would back up to my door and drop off boxes of product. Was I ever surprised when it all came in one measly little box!) Even though I thought I had a lot of product, I didn't even have enough product to fill all the orders at my first class. I gathered up the first \$600 from sales, went back to my banker and paid off my initial loan and then borrowed enough for a Star Consultant order. It would have been better had I borrowed that amount to begin with.

## **Continuing To Build Your Inventory**

Your goal is to build to a level of inventory suitable for the size of business you intend to have. I am assuming you have joined Mary Kay to make money. If that is the case, then you will want to build to a full inventory, which is at least at \$3600 or more. I personally maintain an inventory of about \$6000 wholesale.

But, whether you begin with no inventory, a small inventory, or a complete inventory, your goal is to maintain enough product on hand so that you can deliver to your customer on the spot.

Until you are at that inventory level, I suggest you reinvest all your profits back into more inventory, so you can grow to the inventory level to meet your needs. You have been living without Mary Kay money until now. The wisest money management practice to assure a successful business is to forego profit while you build your inventory.

How does that look? Take a look at this example.

- You begin with \$600 wholesale.
- You sell \$500 retail for the week.
- Your cost of the product sold is \$250, your profit is \$250 (at 50%)
- Rather than paying yourself \$250, you would take the entire \$500 and order \$500 wholesale of more product.
- \$250 wholesale would be replacing the products you just sold, and the other \$250 wholesale would be buying enough more to now have \$850 wholesale on your shelf.
- Continue to reinvest profits until you have an inventory that will maintain your sales level.