



Episode 13: Tripping Over Pennies When Costs Don't Really Matter

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Transcript Start

Mark S: Hey everyone and welcome to episode 13 of the Custom Apparels Startups podcasts, my name is Mark Stephenson.

Marc V: And I am Marc Vila and today we're here to talk about tripping over pennies. When costs really don't matter.

Mark S: Right, and this one was kind of inspired by our custom apparels startups Facebook groups and we get phone calls about this all the time about people that are focusing on costs for embroidery supplies, rhinestones more than they are on growing their business.

Marc V: Yeah and what we have to think about is -when does it matter and when does costs matter, when does growing your business matter and really what it comes down to is, I think people just want to make more money, they want to make more money, their business is struggling for a lack of a better word is brand new maybe or you seem to be hitting a plateau where you can't seem to make any more money and you can't seem to get any more customers and are trying to look for another way to get some more change in their pocket.

Mark S: And usually what happens is, you're having a little bit of trouble getting started, so you're looking for two things first thing that you're looking for is something that you can control, so you go on to Facebook group or you go online and you start searching for (I'll just use the worst example that I can think of and that's cheaper embroidery thread).

Marc V: Okay. (laughing)

Mark S: Okay and we're going to get into some numbers later but you're looking for those things and part of the reason why you might be focusing on that side of making more money in your business and lowering your costs is because you're actually avoiding the more profitable side of growing your business and that's getting more sales.

Marc V: Yeah, and that's I think is an easy number to focus on at time because that's the time where you take out your credit card and-

Mark S: -Yeah, you're writing a check or whatever it is-

Marc V: -So, you see this number and you think that I can't believe I just spent \$218 on a thread. Well, we have to talk about how many stitches that is and how many shirts you've made with that thread for that number to really matter. So maybe we can go into some numbers?

Mark S: Yeah let's make people feel ridiculous. And I really think that's what we should do, and thread pricing is the best way to do that and we're going to use just as an example- because this applies not just to Colman and Company but it applies to any supplier. If you're buying Vinyl or if you're buying screen printing, we're going to use regular Colman & Company pricing for thread to try to figure out what a futile exercise it is to look for cheaper prices.

Marc V: Okay, okay, okay, so let's do that, so we said a cone of thread or a larger cone, which is 5000meters, which is millions of stitches.

Mark S: And 5000 that's miles, it's like 3 miles of thread.

Marc V: So, you've got miles of thread and you got millions of stitches at the cost of around 6 dollars.

Mark S: Six dollars I think we used for the numbers that we picked, six dollars and seventy eight cents.

Marc V: And that's not the cheapest one that's the colored thread, we're trying to be as realistic as possible. So when we did the math on that, Let's see how many zeroes were in that number, it's point, Zero, Zero, Zero, Zero, Zero, one, seven (0.0000017).

Mark S: That's a fraction of a penny!

Marc V: That's a fraction of a penny!

Mark S: That's not even in Lincoln's beard on the penny, really it isn't. So that's five zeroes and the number one and a seven.

Marc V: That's how much per stitch, so if we say a logo is going to be 10,000 stitches.

Mark S: Which is a big hunkin logo.

Marc V: That's a nice size logo and so that's when we take 10,000 times that that's 1.7 cents! Per logo and even rounding that up to 2 cents for each logo and stitches. So if you do a 100 shirts, how much money are you going to save in that, it's almost nothing.

Mark S: The answer is, it doesn't matter, it's not actual money, If you look at it, even if you saved, let's say you're a Colman and Company customer... or anybody's customer and you're spending an entire \$6 and 78 cents for thread and you find a place where you can save 20% on that number. What is that saving?

Marc V: So your new cost or the savings, let's see, we said 1.7 cents times 0.2 is 0.34 cents.

Mark S: Alright, so it's a third of a penny, and you're going to save a third of a penny per logo.

Marc V: Yeah, per logo, so times 0.33 times a 100 logos is, you saved about a quarter... a little low for a quarter, probably about 33 cents and something like that. Let's round that up to a dollar. You're going to make a mistake while you're embroidering that's going to cost you more than a dollar, you're going to spill oil that's going to cost you more than a dollar, you're going to drop your bobbin case, you're going to mess up a shirt. All of those things are going to cost you way more than a dollar and how much time did it cost you to make this attempt to save some money.

Mark S: And that really is something that we're going to come back to several times in our podcast because it's a pet-peeve. One of the reasons that people do this kind of thing is for control and it's the cheque that they are writing or it's on their credit card saving they see that total dollar. The other reason is maybe because they just don't understand what they could be doing with that time; that they are trying to save 0.0017 cents or whatever that number is...

Marc V: And we also we did the same thing with Rhinestones as well.

Mark S: Which is a more significant case.

Marc V: That it is more of a real number but still the math is just not in the favor of taking the time, so we said that of each rhinestone was 0.0048 cents for a colored Rhinestone.

Mark S: Right and that is using a standard 50 gross bag, it's a regular purchase it is not one of the big bags, \$35 a bag which is on Colman and Company's website.

Marc V: And if you go Bulk, let's say if you're growing your business a little bit more, and if you're buying a bigger bags, it comes down to about 0.033 cents per stone, so we did the math across that times 400 stones that might be in your design a \$34 per design is what we are saying was the cost of your Rhinestones and again we did the math on that, if you can save 10% on your stone that's 13 cents, so that's like 30 cents if you're saving.

Mark S: We figured about 32 cents if you're saving 20% on Rhinestones, so let's break that down more because that sounds like an actual number, you know that sounds like you know 30 cents, I can visualize that. But if you are in the Rhinestone business and you're selling shirts, let's say you pick a very nice blank shirt that you're putting a Rhinestone design on and that shirt is probably going to cost you about 4 Bucks So if you can sell a shirt for 20 which you should be able to and your shirt cost is \$4 and for a 400 Rhinestone design your cost are a \$1.94 for their supplies, then you're actually going to make 13 bucks per shirt and that is a little over \$13. I know that we are talking about this stuff and might be driving right now, do-not try to make notes while you drive because they're pretty obvious numbers in the end. So we want you to get the idea not necessarily the details, but if you're selling a shirt for 20 bucks and your cost with the shirt and the Rhinestones is 594, you're going to make \$13 and 6 cents, if you saved 20% on those Rhinestones which is a big deal that's 39 cents per shirt.

Marc V: Yeah.

Mark S: So you're making an extra 39 cents per shirt.

Marc V: And like I said that is a number, over the course of a very long period of time but there is a lot that it takes to get to that number and then you have to figure the cost of your time and the cost of the long term benefit of it, so one of the things we mentioned, and by the way before we go any further into this, we did the same thing on ink-

Mark S: -and the numbers were almost the same!

Marc V: It was almost exactly the same, so what are all the risks involved.

Mark S: Since you mentioned ink I know why you thought of risk, because that's really where you're exposure is. If you are a Direct to Garment Printer and it doesn't matter what brand of Direct to Garment Printer that you're using, then ink can be a part of the cost as it is basically about the same per design as Rhinestones and you can go to DTG Printer machines dot com (dtgprintermachines.com) and there is an ROI there that breaks down the cost. But the risk if you the wrong ink in or if you put bad ink in or if you get a bad batch is what Marc, I mean what's that going to cost us?

Marc V: We're talking possible damaged print head.

Mark S: Which is more than a thousand dollars.

Marc V: Easily could be depending on what brand it's all going to vary, but we're talking a minimum even probably the cheapest print head out there for a printer like this is going to be 500-600 dollars for the cheapest ones and they go up to a thousand depending on the type of printer you may have and the brand that you might have, so you risk damaging a part and you're going to sell hundreds of shirts to make up for the risk of trying a different ink and then also just the reliability of the supplier and you're got to deal with that and with the risk of print head damage or any other machine damage, the machine is down, you're not selling shirts now.

Mark S: And I'll give you the sleeper risk that most people don't think about, let's say that you know for sure that it's a great quality ink and it works in your printer and you buy it from another supplier, have you tested it on the shirts that you buy? Have you print tested it with the pre-treat that you're using? Because what could happen is you could print 50 shirts for a regular customer, the colors are going to be a little bit different because you changed the ink but what's the wash ability going to be like, are they going to be used to being able to wash their shirts 50 times before they color degradation but you're using cheaper ink and now it's 20 times.

Marc V: Or they notice the difference in the color suppose if they're going to do a company photo and 20 people with the new shirt and 30 people have the old shirt, now there is something going on and that picture is not the same. So there is a lot of risk involved in regards to the equipment downtime, the risk of

dealing with a new supplier which possibly could change... just being able to know you can call him up and get the right and the same thing every time on time.

Mark S: Right, and that's the thing with Rhinestones as well, even large rhinestone suppliers have to pay attention to quality control, so it could be that you find a new supplier or maybe you even... there are people that are customers, you know the regular retail users they will pool their resources and buy things directly from China or directly from Korea or places like that. Well, I mean, that's great you may save money on that first shipment but how many of those stones are going to have bad glue? Is it going to last, is it going to stay on the shirt for your customer the first time that they wash? And if you have a problem with that, who are you going to call? And the answer is nobody!

Marc V: And the next time you got to order are those same people would want to get involved, how reliable are they going to be. So there are a lot of things and there's a lot of headaches that you can run into and I've seen so many stones from so many different suppliers and there is a lot of difference. I have seen ink and there is a lot of difference and thread and all of these things are also subject to how they store them. So there are so many risks involved in adjusting to a different supplier and then we have to come down to 'when is it worth your time to do it?'

Mark S: And you're going to have to make that decision, I mean if you can find something magical for 80% off like if someone offers you a free BMW, you might be interested in taking it.

Marc V: But if you save 80% on your thread, then I mean congratulations, you've made 4 dollars. It's not worth the time, what it really comes down to and it is not always worth the risk.

Mark S: So there's risk in the material itself, there is risk in changing suppliers and dealing with somebody new and the profit potential that we just talked about, it's not worth in many cases.

Marc V: Yeah, and in those cases it's not because, one example that I use just to touch briefly is that you're not Walmart and you're not selling a 100,000 or a million of this one item or if you save a penny it's a ton of money, most people getting started in the Custom Apparel Business their orders are- 20-50 a hundred and you're talking about small niche customers, so when you get a customer that is saying that they are on a school board and you're getting shirt orders that a 50 or a 100 or a 25 shirts and that's what you're doing, and it took a while to get that customer and you know that you're going to get a repeat business from them and the supplies that you're using and if you mess up by picking a bad supplier, now you would have had lost that small customer and you need a lot of those customers to build up and repeat business and that's part of it. So what else would you do with your time?

Mark S: I want to say, I want to reach here everybody because I was sitting here thinking, I'm listening to you talk and hear myself talking, it almost sounds like we're being the "Don't try to get a good deal show" and it's not we're not trying to say that, we're emphasizing the risk and the minimal profit that you're going to get because we think that it's almost a waste of time. That it's almost always better to do other things than spend time trying to save money.

Marc V: And a perfect example that I think of is, everyone once in a while we get somebody who calls us up and say "Hey, I'm going to get a sample of your thread" Which is awesome and we're happy to give it to you. And I say okay, what's going on (to it the caller says)"oh, your thread is a little bit cheaper" and again I am glad that we want to have you as our customer and we know you're going to like the thread, so of-course I'm going to send you that but what I am thinking is how many other places did they call, maybe they called three other suppliers? Now they're going to get three spools of let's suppose- black thread and they're going to run that through their machines and they're going to do some designs and if you think of it, how much time did they sped on that and let's say we get 'em and they love working with us again we're happy but what really did they gain? after spending all of that time only to find and that's what is kind of the inspiration when we get those kind of phone call is I want to know okay, what are we looking to do, if they're telling me that they've got, if they feel like they are being ripped off in something...

Mark S: Or that their supplier isn't shipping on time or if they are unreliable.

Marc V: or if they feel that they are paying for the thread that should be good and they are happy with the price, what I mean by ripped off is that they are getting the thread and it frays all the time...

Mark S: Poor quality.

Marc V: So, that's a great reason to change is because of poor quality or unreliability, but some people will literally dance around to save the penny and you could just be spending so much more of your time and effort on doing things that are sustainable.

Mark S: So let's think of some things that you could be doing rather than spending your evenings scouring the internet trying to save 20 cents or bobbins or even Rhinestones.

Marc V: Okay, okay.

Mark S: I got a first one, pick up the phone and call a customer for god sakes! The part of what inspired us was on the customer Apparel Startups Facebook group, I published and I republished a pretty popular article because I think it is very useful on five ways to increase sales right now.

Marc V: Okay.

Mark S: And there is just a little posted note up there that says these are the ways and these are somebody's to-do lists and what that looks like on their daily checklist and it's check Facebook, see if there are any E-Mails, play candy crush and do an order, all of these things are timewasters that someone would just fall into and the one person on there commented that "I took a look at this, I read the article and I was out of my comfort zone but I called two customers and I made one appointment." How much more profitable is that going to be in the long term V.S. "I called two suppliers and I may have saved a dime".

Marc V: And sometimes I think it's a reason to why, another reason to why it is a feeling of empowerment. So when you call a customer, it is hard for most people to feel that you're the empowered one on the phone, you feel like you're almost whether if you feel like clobbering or bothering.

Mark S: Intruding, that's a big one!

Marc V: So you feel like your intrusion is slightly building in your head and you feel like you're going coward down in your head, not everybody, some people are hard.

Mark S: Not me, not me.

Marc V: But again it's not everyone is a sales person, however you call your supplier and you get to puff up a little bit and say "what are you going to do to get me a better deal" and it is empowering and then if you get "oh I saved a penny" it's a victory but I am saying that if you make the phone-call and you call a customer and they say Yes I need a 100 more of those hats, that victory is going to feel so much better.

Mark S: Absolutely, and I would encourage you to go back to some of our other... Hey, this is another thing that you could be doing instead of searching on the internet to save that 10 cents on thread is you could be learning new things.

Marc V: Yeah.

Mark S: And one of the ways you could be learn new things is you can listen to our podcast episodes, I mean this is number 13 and there are at-least five of them that are really good.

Marc V: I was going to say four but yeah.

Mark S: We're seeing how this one come out.

Marc V: Yeah, learn some new things. So as you said you can pick up the phone and maybe that's easier for some folks than others, I mean if you know the person and you call them up and say "hey checking in and we did some orders before" and you can make some excuse that makes sense "hey, you know what? I am trying to plan out what I'm going to do next month because I'm going to have a busy month, so do you have any orders that you might have coming up that I can help you with".

Mark S: Yeah call existing customers.

Marc V: Yeah, just call 'em up, they are not going to be mad at all, they're going to say "it was so awesome when you did it last time" OR "Yeah, we do have that fall event coming up and I didn't even think about the hats yet, thank god you called" So you could do that and there can be so many other things that you can master that don't involve that.

Mark S: Throw a cap in the back of your car and drive around for a while and say "hey look what I do, I do these embroidered caps, anybody interested?"

Marc V: That's another thing you can master and I think that for those that really don't like either of those things, there is still other things that you can get into, how about local Facebook advertising, do you even know how Facebook advertising works? Do you know that you can advertise on Facebook? Do you know that your business can afford it? 100% your business can afford it.

Mark S: It is not expensive to do that,

Marc V: But you don't know any of those things, how are you going to do that? Now let's say we've got you VS me and you are master of negotiating with suppliers and I have mastered how to advertise on Facebook. Which one of us is going to have the best long term growth?

Mark S: Yeah the Facebook guy definitely, you've learned how to advertise, you've learned how to use a social media platform and be a master of it and you probably built connections that are going to get you more business and you've earned a business from people that are going to be repeat customers.

Mark S: And I think Facebook advertising is great, spending you time on Facebook promoting your business, not just updating your personal page is great, but I also thing there is opportunity for networking out there, you could be going to meet up groups or you could be attending tradeshow.

Marc V: That's meet up dot com (meetup.com) If you don't know what that is, it's big and it is all over the country and you can sign up for all different groups, 30 something, 40 something, fishing people...

Mark S: Ohio state's fans and...

Marc V: There is everything there are religious affiliations and whatever you can think of there is a group. Join a bunch of those, joining a group, most of the time it is free and some of them might want a few bucks but it's worth it during the chamber of commerce if you've got something like a Hispanic chamber of commerce or Jewish community chamber of commerce, you can join 3 chamber of commerce sometimes in your city. Join all of these things if you can and go to those events, if you went to one of them in a month then that's it. That is going to cost you a couple of hours and

Mark S: You're guaranteed to get customers.

Marc V: You get one customers, if you get one customer and that pays for an entire year's worth of saving that you would have gotten on trying to search around and test and save some money on your supplies. One customer makes all the difference.

Mark S: Lets create some new associations for everybody, so if you get an invoice from your supplier for thread, or rhinestones or whatever and you look at the freight bill and its higher than it was before and you're about to pick up the phone to call somebody to complain about the \$8 more in freight. I want you

to dial a customer's phone number instead, because whatever you're about to argue about is not going to be worth the time that you could be using to call and make some money on.

Marc V: Now, I'm going to give a time where these folks should do that.

Mark S: Okay.

Marc V: So, I am going to contradict everything we said.

Mark S: When it's not Colman and Company.

Marc V: And it has nothing to do with us, if you are our customer, great but if you are not...

Mark S: All of this still applies.

Marc V: The reason why we want you to be our customer is not because we're going to save you a penny on thread, it's because we're going to do all the other things right, but I'm going to say this is right now, this is all the people that should call every supplier and fight for the deal. For one: You've mastered the sale cycle and you are selling so much that you maxed out your equipment and that you can't grow anymore and you have no room to add more equipment and you've no room to add more sales and you've reached the maximum possible potential for your industry which means that you sell, dresses for adult Irish dance teams and you have every single one of those people buying from you. Maybe you don't have niche market but you've mastered advertising and you know all the best places to advertise and you go to all the meet up groups and chamber of commerce meetings and you've mastered networking.

Mark S: Everyone in Town knows your name.

Marc V: If everyone in town knows your name and everyone is your customer, if that's you then now it's time to get down and work people on supplies.

Mark S: I agree, I agree.

Marc V: Because that's Walmart, they are all over, there is no shortage of people walking into the stores, even if you don't like shopping at Walmart you still kind of go there sometimes, so they've gotten that so they have to go to china and save a penny on that shirt because that's where they are going to get their profits from. But that's not you.

Mark S: Yeah you don't, if you're a one man shop or if you've got a small retail outlet it's just not going to make economic sense to worry about those supply class in place of educating yourself or contacting customers.

Marc V: Yeah and I think now that I am making some new connections in my head, I think that real point of this all is prioritizing these things. That's the point.

Mark S: That's a good way to look at it.

Marc V: So, the supply cost matter of-course, that how much it costs you to buy a white T-shirt matters, we don't sell shirts but that does matter, how much that shirt costs me, but how much does that shirt cost me, that does matter overtime however if you are making profit on your shirts overtime and you are not maxing out your sales and marking abilities then do that first because savings in 23 cents per shirt is going to matter but you should really, if you could sell 10 extra shirts in that same time that you were able to save and check..

Mark S: You're coming out way ahead.

Marc V: I have to sell and I got a 100 shirt order, let me check Bodek and Rhodes, let me check Alpha shirts; let me check Sanmar Shirts...

Mark S: TO save 20 cents.

Marc V: So I've spent 35 minutes to save 20 cents a shirt times a hundred. I've saved 20 bucks on ordering these shirts awesome! Just order it from the one that you know it works because you haven't mastered selling yet.

Mark S: And instead of spending that time looking for that extra 20 cents pick up the phone and see if you can get them to order a hundred and one shirts just in case. Alright Marc I think we spent enough time beating all these people up about staying off the phone for god sakes trying to save the 2% of the total revenues in supplies until it's time.

So let's just kind of recap, tripping over pennies on the way to dollars when costs don't really matter, this whole podcast was inspired by seeing people on the Facebook group and online ask questions about where to get the best pricing on this or where to get the best vinyl, where to get the best pricing on Rhinestones or threads and I know that they have not... they haven't been making the phone calls instead, really that's what fundamentally started bothering me in particular is they are trying to save a few dollars instead of figuring out more ways to make a few dollars.

Marc V: And the counter inspiration for me is when I talk to somebody on the phone with Colman and Company and they are talking about a thread price and now they are sold, they are like I want to buy from you, and they go to buy and they buy \$18 of thread which is... you can make a lot of shirts with \$18 of shirt but I am thinking all of that effort but one thing that I forgot to mention when I finally got it, this is coming on the head, somebody calls up and said "I can't make money with the price of the Rhinestones". and we've talked about this once or twice before and I am glad, so I can't make money, so okay...

Mark S: It's that phrase!

Marc V: It's that phrase you can't make money, so let's figure this out, so we did the math if you say 20% which is a lot in saving by the way.

Mark S: that's a big discount.

Marc V: that's a fairly unrealistic number in the real world that you're going to save 20% on a wholesale item, but how much was that?

Mark S: It was a \$94 per design.

Marc V: That was the total and then how much was the savings? 30 something cents we said? 32 cents ?

Mark S: Yeah, 32 cents.

Marc V: Now I can make money.

Mark S: Right.

Marc V: How many shirts are you selling?

Mark S: And at what price?

Marc V: That you couldn't make money at a \$90 something but at a \$60 now I can... so you're breaking even at \$2 for your cost and at a \$50 now you're making 50 cents.

Mark S: You have other problems.

Marc V: You got other problems and it's not an insult it's just one of those things where if you cannot make money by not saving that extra 30 cents then you need to take a whole look at the big picture or when I go to take that order and we negotiate and I say okay, I can save you that 30 cents, okay I need 500million Rhinestones, I understand you're at a Walmart margin customer that is making a 100,000 Garments a month but you are probably not, you're probably making in garments what you are making in a month is in a 3 digit range getting close to four and if that's where you are and you can't make money because of a quarter then listen to some other podcast and talk about some other things.

Mark S: Hey, I'll offer this, Both Marc and I will have personal conversations with you if you are in this situation we'll talk to you about your business in general.

Marc V: Yeah and we'd do it,

Mark S: We'd absolutely do.

Marc V: So saying that you know there is Hosts @ CAS Podcast dot com (hosts@caspodcast.com) that's an E-mail if you prefer that, on the Facebook group which is Custom Apparel Startups. Just go on the Facebook and type-in Custom Apparel Startups if you're not already a member.

Mark S: Which is a great place to ask questions about your business.

Marc V: Yeah, we're on there, you can personal message us on there, or ask just straight on there that I'm having a problem making money and help!, what can I do? And we can talk about it, you can talk about it publically, you will find other people that'll give you advice or we can have one on one conversation. Our other podcasts talk about that, so listen to the other podcasts especially if this is your first one. Anywhere else or any other thoughts that you have?

Mark S: The only thing I can say is keep an eye out on the CAS webinars dot com (caswebinars.com) That's the CAS webinars dot com website, Because we do have occasionally some sales and marketing webinars as well, it's not just equipment demonstration and things like that we do some business webinars too.

Marc V: I think a wrap up for me is that part of the reason why we do this podcast is not so you're going to buy supplies or buy equipment or software or anything like that but it's that your success is our success; A 100% of the time. If you're succeeding then -you're buying more supplies, you're buying more equipment, you're doing well, you are a good testimonial, you're happy and if your success is depending upon saving pennies on thread then we want to help you get a better way to succeed essentially.

Mark S: Right.

Marc V: That's not how you're going to succeed, you're going to succeed by selling more garments.

Mark S: I agree, so spend your time I would say on picking up the phone and talking to existing customers, finding new customers or learning about Facebook marketing or some other skills that will help you find new customers.

Marc V: Yeah and let's rapid fire some skills real quick, find one that you like, you can learn how to make videos and put them on YouTube about what you make and what you do.

Mark S: You can start a blog and you can write blog posts.

Marc V: You can learn how to market on Google.

Mark S: You can get you car and driver around with samples and show people stuff.

Marc V: You can find weird and obscure and cheap places to advertise in your neighborhoods like a menu at a restaurant.

Mark S: You can find a new niche, like if you're not into dogs go to a dog show anyway.

Marc V: You can attend meet up events or any type of networking events and join groups.

Mark S: You can stand up outside in the middle of a field full of people and just scream what you do for a living.

Marc V: (laughing) that would get attention.

Mark S: I think that's my last suggestion.

Marc V: The last one I would put is you can just take, you could actually sit down for that half hour and look at all the things you do to get business, look at all of the marketing pieces you have, how you write your E-mail how you answer the phone, we talked about all of this on our podcasts, you can analyze how you grow your business and how you get customers. Maybe pick a few things that you can do better and work on those and all that is going to make you a lot more money.

Mark S: I agree, this has been tripping over pennies when cost don't really matter in the CAS podcast.

Marc V: So, I'm Marc Vila.

Mark S: And I'm Mark Stephenson, thanks for listening today folks.