



## EPISODE 8: **Biggest Mistakes Starting an Embroidery Business**

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### TRANSCRIPT

Welcome to custom apparels startups podcast; your best source for information, news, tips and tricks to get you off the ground running and earn success with your custom apparel decorating business. So get ready to soak up some knowledge, now here are your hosts Mark and Marc.

**Mark S.** Hey, welcome back to custom apparels startups podcast; this is Mark Stephenson from ColDesi.

**Marc V.** And I'm Marc Villa from Colman and Company and today we're going to talk about the biggest mistakes made starting an embroidery business.

**Mark S.** This is kind of a long list, I hate to say it because it's not just the embroidery business that new entrepreneurs new businesses make mistakes in, its every business, so what were going to talk about today is this list of things not to do applies to just about any business that you wanna get into.

**Marc V.** And we see these mistakes happening on a daily basis every single day here between our two companies that were a part of new businesses are being started new ideas are being created with these mistakes being made, not everybody is making them but every day these mistakes are being made so hopefully we can provide a list, it's a long list but hopefully we can narrow it down to a brief definable number and then you can maybe not make some of those mistakes and that would be the goal of this podcast.

**Mark S.** I would love that for you, okay so let's start with my pet peeve, and I am sure Marc agrees with me because we talked about it before hand and are just pretending this is off the cuff is no plan on how to get customers, I mean as a marketing professional this is where I personally would start my business; is what is the business going to be who am I going to sell to? What am I going to make? What am I going to do? And who am I going to sell to?

**Marc V.** Yeah and having sold embroidery equipment for some years on a consistent basis its I like embroidery its really cool, it looks awesome I'm kind of a creator inside I'm an artist inside I saw it at the mall; whatever that might be and I want to do this, so you invest in the equipment because you want to do it and you learn how to use all these things and now it's what am I going to do next? How am I going to make any money? You've already spent 10,000 dollars 20,000 dollars with nothing to think on how you're going to start.

**Mark S.** And that's the recipe for failure. I mean not everyone fails when they start that way but it is a high percentage because not only do you need to know what you want to do coz you might be a home embroider that wants to expand in the commercial space you may be a sign shop that wants to add embroidery or you may not know anything about this business and you see a company that you work with order a 4000\$ worth of logo polos and wanna piece of the action that maybe it but unless you write down how you're going to get your customers and what your market is going to be then you're never going to find those people.

**Marc V.** What I've said before and mark and I spoke about this earlier and I've said this hundreds of times to folks in the businesses, you don't need a full outline a professionally drawn up business plan that you need to present to investors but you need some core ideas and you need some concepts on where are you going to get some of this business, we have a previous podcast on social NOT social media marketing that talks a little bit about that but what are some places you're going to go? and this reminds me of an example that just ran into recently, just this past week, a young lady that we know invests in an embroidery machine had seen them, got excited about them and thought it was really cool this is a way I can make money so all the



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profitability and how much it costs to make VS how much it's worth and got a machine, got trained and I kinda came up to her and said "what's the plan? What are you going to do?" and she said "well, let's talk to businesses" that's not enough.

**Mark S.** Right!

**Mark S.** You gotta have something going for you so, Marc was right, it's great to write these things down and I'm not going to call it a marketing plan but I would at least call it like a marketing target and to-do list, that's probably if you don't take anything else away from this podcast and you stop listening right now what I want you to do if you've just purchased equipment or if you're looking for getting into any kind of a business just pull the car over pull out a legal pad and write down who are you going to sell to and how much you're going to sell it for.

**Marc V.** Yeah and one thing that I find that becomes a road block is where do I start writing this, especially if you've never written a business plan before or if you've never been an entrepreneur before, where do you start?, so the answer to that is just start writing some ideas, just like I wanna sell to these people and I can reach them this way and if the more you can expand on that and if you have an idea I make these awesome topacks, okay who buys them?, what are they worth?, what do you think you could realistically sell them for? A hundred dollars, maybe? Start there but you could also do a little bit of research like is anybody else selling them? Is anybody else selling to this group? So just start writing things down and those are your notes for just you, so they can be embarrassing coz nobody is going to see them.

**Mark S.** And I guess even if you're not even there yet just picture this, close your eyes unless you are driving and picture this 'you have just taken delivery of your commercial embroidery machine you've spent the money you've gone to training, it's been a week; you've played with the machine you can embroider a logo, you can use the digitizing software all of that stuff, it's been a week, week number two what are you going to do? are you going to pick up the phone and call people to see if they need embroidery work or you going to go visit with friends businesses that you know in the area, are you going to work on a website or a Facebook page? to kind of get a marketing juice out there to get some customers, what are you going to do? on week two, and that goes too - what am I going to sell? what am I going to embroider? who am I going to sell it? and how much am I going to charge.

**Marc V.** And one other thing that I would add to this concept before we move to the next one is that don't depend on your awesome idea going fire roll, like all of a sudden your friend buys this bag because I am willing to bet that it is great, because I am willing to bet if someone calls me up and says that I make this stuff, this art is great I am an artist I do these things I make these towbags they are beautiful. I believe them immediately and I think that's optimistic I think they probably are really nice that doesn't mean that you're going to sell one and all of a sudden it's going to be boom, boom, boom it generally doesn't work that way.

**Mark S.** Right and if your plan is, and I'll be real honest with you coz Marc and I spend the bulk of our time really trying to figure out ways to get people to come to our website and we managed a lot of websites between us, so if your plan is to take a picture of a that cool design on a cool bag and put it up on the internet somewhere somehow and then just wait for the leads and the orders to pile in that is just not going to happen.



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**Marc V.** To me it is, it's like an artist like a musician, so you can write a fantastic song and put it on YouTube and you might get views, now somebody's going to get a million views you know Gangnam style is going to be the number one.

**Mark S.** you had to bring that up...

**Marc V.** Views ever! its going to be the number one video ever on YouTube and that's the exception to the rule, so you're not going to be sigh, you know more than likely you are not going to be sigh more than likely you're going to be the other guy who is equally or more talented than him, but it just didn't happen, so don't depend on being the exception, if you are; awesome!

**Mark S.** So, I'll tell you the other part of this there is not plan part is important, Can we talk about no budget for a second?,

**Marc V.** Yeah I think we need to.

**Mark S.** Because I've got another story for you and ColDesi Colman and company, not only do we deal with entrepreneurs all the time but its infectious and I know both mark and I have had side businesses and a lot of the employees here they buy machines and go into business it just happens, so there is one person here that ended up going into the rhinestone business, and she had a great thing going, not only did she have a creative talent but she also had a great market pitch and it was breast cancer awareness, she was a part of a big organization that did kind of commotional items.. or they did those runs or the marches and they sold gear towards raising money for breast cancer awareness and it's a great cause, she had a great product what she didn't have is any financing or any money to get the word out, so she had a full time job, she was doing it nights and weekends and she ended up with this kind of I wanna say.. kind of a knee-jerk marketing, so there was no website there was no call plan there was no marketing plan of any kind but there was a big trade show coming up in Orlando Florida based around the cause that she was into, so she actually took money out of there 401 pay to finance going to this trade show and she made enough money to pay for the trade show and never made an additional dime from it, so here is something where not having a marketing plan and not having a budget for advertising or marketing caught up to her and she is not in the business anymore.

**Marc V.** And that happens too often and you know and its heartbreaking and I think there is a couple of rules, for one if you don't have a big budget you need to have time, so you need to have time or money, preferable both but if you don't have a ton of money it doesn't mean that you can't reach your dream but you got to have the time which means that you might have to physically knock on doors, walk into places, attend event after event attend every HOA meeting, attend every community meetings, the time might be the only thing that you have which can work, but you still need to have some money aside because there are some tenfold things that you really are going to have because for example if you've got the opportunity to go to a trade show that could be successful for you and no money to do it, that's going to be a stumbling bump for you that's money that you could have earned and then the other rule with it is that any money that you're going to put aside for marketing, you have to be a 100% prepared to lose it all.



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**Mark S.** Yeah because marketing never works the first time, almost never!

**Marc V.** Yeah and you've got to say that I got a thousand dollars a 10,000 dollars 500 dollars and say "this isn't money that I need to pay my bills next month this is money that I'm going to invest in my business and I might get zero bank"

**Mark S.** Think about a budget, whatever it is for marketing like it's a budget for supplies. You cannot run an embroidery business if you do not buy back it.

**Marc V.** Yup.

**Mark S.** You will not be successful in an embroidery business, if you do not spend some amount of money in marketing, so when I say money let's call it capital. So whether or not its human capital(which is your time) so you set aside five to eight- ten hours a week either on the phone or in person trying to find new customers spending money on gas or its money that you spend on paper click advertising or its money that you spend on attending a trade show or renting a table at a flea market or whatever fits with that first part of the plan that you're going to do, you're going to have some kind of budget to back that up.

**Marc V.** and that budget money then turns right into the next mistake I think which is not doing the math ahead of time for your business.

**Mark S.** Yeah that is a huge concern, I married to an account, which is the only reason that I can afford to wash my clothes is because if not I am a marketing guy I will just spend money on everything I see and she keeps the rains in and helps me figure out how much everything costs and how much it's really worth. I think that one of the key indicators that people don't do the math are ... we got a very good article... a couple of very good articles about how to price embroidery work and they are by far the top search results that bring people to one of our embroidery websites.

**Marc V.** Absolutely and it's a question that is asked so much and I guess behind it all really what's confusing is that for one there is not one rule which I think is the hard part because you're going to go on to a forum and you're going to read an article and you're going to say how do I price my embroidery work and if you ask that we just saw this I believe on the CAS Face book a customer apparel started, I think we just saw it, so one of the response was double your cost

**Mark S.** Great!

**Marc V.** Right that might work for you, it might not, if you are in Miami VS a small town in Indiana VS New York City VS Florida you're probably going to have four different prices for the same exact thing.

**Mark S.** Because your costs are going to be different.

**Marc V.** Because your cost are going to be different and your competition is going to be different, supply and demand is going to be different.



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**Mark S.** But let me tell you the disappointing about those kind of articles and those kind of comments being some of our most popular search results, the disappointing part is, it is almost always someone that already has an embroidery machine, there is almost always someone that already has an embroidery machine its week two like we talked about you got your training got their embroidery machine and someone calls them up and they want a price on 12 shirts and they have no idea what to do next.

**Marc V.** I'm sitting here and I'm trying to remember all the phone calls that I've taken in the supply business, how many people have called up doing a lil bit of a research and I can't think of one, somebody whose called up and said "you sell thread and backing, right ? What's it going to cost me to make a hat? What do people sell that for?" and you don't have to have it right the first time but you have to have something.

**Mark S.** So, we're building a good list here, so now we've got the answer to no marketing plan, to how to get customers is you've got to start with writing stuff down we've talked about a few things that you're going to write down, how you're going to get customers how much stuff is going to cost, you're going to set aside some marketing budget and now you need to make sure that you need to know the math of your business, how much you're going to charge for your work and that doesn't just include doubling your cost, that drives me crazy because doubling your cost means you're going to buy the shirt and then you're going to add up how many stitches it is and you're going to price that and then you're going to add the back in but what you're not going to do is you're not going to add in how much you wanna make an out, how much is your time, how much does it cost for you to get that customer, how much time do you spend on the phone placing the order; do you deliver the order yourself, what is the shipping cost, all of those things that go into not pricing this job but also pricing your business out, so you are profitable and successful.

**Marc V.** So out of a 100 shirts that you embroider how many are you going to throw away because you made a mistake.

**Mark S.** It does happen you will make some mistakes.

**Marc V.** You know so all of those are part of a cost plus that math doesn't work because it is simple is this, if I buy just a regular snapback cap, generic brand you'll get it for two bucks maybe, three, you're going to put nickel and stitches in there, you've made no money if you've sold that for four dollars.

**Mark S.** Right, coz its going to take you 12 minutes to sow up the hat, it's going to take you time to hoop it up, it's going to take you time to process the order, you can't survive that way, that's specifically why people go out of business.

**Marc V.** And so I think one of the things that you do in the math is you could start backwards and say, this is how much I need to make a living so I need to pay myself this, this is how much it costs to run my business, electricity, the gas, shipping costs, supplies all of that stuff, so there is your costs, so would you pay yourself as your costs.

**Mark S.** I heard a story on a video on YouTube that I am going to repeat here, I plagiarized it completely and that's a conversation took place from this embroidery professional and one of his customers and this pro was trying to get an idea of the size of the embroidery business, and the woman that he was talking to says, "well I have three employees" and he says who are your employees, tell me about them, what do they do?



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And she says “well, one employee is my husband, he works for me five hours a night after he gets off of his regular job and the other employee is my mom who works for me on the weekends and helps packing and shipping”. The next question was, how much do you pay them? The answer is I don’t! the answer is I give my mom the gas money or I make dinner for her, so you know that’s not business you are not pricing in the labor; not only your labor but whatever friends and family are going to help you get started, if you can’t maybe not be profitable right off the bat, but if you can’t draw a map of how you’re going to get to profitability then you’re never going to get to profitability.

**Marc V.** And the scalability with that, so you say what happens if my orders triple, what am I going to do, did you factor in the cost, that will no longer is the husband coz he can’t work 10 hours after his eight hours, he needs to sleep and eat at some point of time.

**Mark S.** I mean if you like him, if you’re fond of him and the same thing goes for the wife although I find that they usually have more sense than to do that, so.

**Marc V.** (Laughs) and yeah so you gotta say, if my orders double or triple or quadruple or I get a 500 shirt order, how am I going to do that, well you could do some of the work yourself of course, are you going to need help? probably, did you factor in that cost, well now I’m actually going to have to pay somebody, this might not be a stranger it might be your friend’s son or whatever it might be but you’re going to have to figure out when I’m going to have to pay somebody what am I going to pay em and I’m going to pay em 10 dollars an hour and this is going to take this many hours, is that built into the price?

**Mark S.** You can almost look at this as a dream big scenario, so you’re going to do all those basics of how you’re going to get customers how much time or money you’re going to spend on marketing you’re going to do the math into the future, you know you’re going to kind of, what’s the best case scenario for you over the next few years and how you are going to get there and once again we are not talking about you getting out an excel sheet and in month four and a half or in week 57 I am going to make this many sales and this much money which is kind of a traditional budget and marketing plan,,so you’re just going to make an outline so that you know you have a good idea of what you’re going to do and how you are going to price that one. that kind of brings me to the next point on my list and that is NO accounting and that is related to what we’ve been talking about but it’s not exactly what we’ve been talking about, when I say no accounting as I mentioned my wife is an accountant so she beats it into me all the time literally and figuratively, the no accounting is that you don’t have a way to do a quote, do an invoice keep track of your supplies, figure out what you’re going to need for the next month and the next order.

**Marc V.** And the supply side thing brings true to me so much because I deal with it every day just sent out an email to folks that do direct garment printing and I said “check your ink supply” that’s what the email was ‘check your ink supply’ why ? because every single day we send out ink overnighted to somebody, gallons of stuff we just sent an order yesterday, they spent hundreds of dollars to overnight this ink over to their business because the accounting wasn’t there because if you are going through supplies, if you are in embroidery business and you are going through bobbins and threads just keeping track of what you are using and you are keeping track of all your invoices and when you get to the supply side and you have reorder times, so, all too often when you not going through all those steps that you mentioned you hit blocks all across the way.





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**Mark S.** Yeah let me describe to you what this could mean for your cash flow or your business if that ink order that Marc mentioned was worth several hundred dollars if that would have had ordered in advance you would have had gotten free ground shipping instead of paying a couple of hundred dollars for over-nighting it. Especially when you are first starting out I know it can be a little bit painful to break off some cash for supply inventories but imagine what it would do in your first couple of week of your business to spend two or three hundred dollars on freight charges unnecessarily just because you weren't keeping track.

**Marc V.** Oh well have somebody call us up and say "I need better pricing on X product" okay what are you looking for what is the issue whatever it is we'll discuss it and maybe we reach an agreement, okay if you buy this much then I cannot qualify you for a discount; "okay great I need that overnighted to Indiana"

**Mark S.** Laughs

**Marc V.** Well, all that savings that you just earned yourself because you bought in bulk you lost all of it because you weren't prepared ahead of time and another think I have an example that is not related to embroidery but this is exactly and this is why it rings true for all businesses like we mentioned earlier, there is a gentlemen that I worked with that has done and has helped me do some construction work on my house he is a young guy he just moved to Florida so he is just getting his business up and running and he is great, he does good work he is what a contractor should be.

**Mark S.** And I said, I am a little old I am not that much older than you but I know that he is about 12 or 13 years younger than me, I said I know where I was then organize something, I said "what do you do, I said "I played you in cash" and I didn't even receive or anything like that but when you work for parts department coz you just told me that you did work for the parts department how did you prepare that quote and that invoice and he is like oh yeah, let me show you and he pulls out a notepad and I am saying it this big as I am showing it Mark; Six inches wide by four inches.

**Mark S.** Like a receipt book

**Marc V.** Not even a receipt book, like with the black and white cover that you would use in your elementary school.

**Mark S.** Got it!

**Marc V.** And he had it written down it there, and I said i am glad you wrote it down.

**Mark S.** That's actually he is ahead of the game.

**Marc V.** "You've not done nothing" I said but that's not going to last you very long because I said you're good, you're fair price you're good and you are very likeable so you're going to grow and he is like I've already grown since I've moved here I do twice as many jobs as I did two or three months ago, you're going to get lost really soon and the same is true for the embroiders when you go to a shop and you see somebody and they open up this dazzled up notebook of the jobs they did and ripped out pages and all stuff you don't have to be a genius organized super accountant but, you gotta do all your accounting, you've gotta keep things filed and organized and have a plan.



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**Mark S.** We normally don't do a specific product recommendations, that's not true we do it all the time but normally outside our industry. But I am going to say it I am going to go out on a limb just buy Quickbooks its intuitive accounting software, it's pretty simple to use, its 300 dollars maybe; I don't remember the last time I purchased it but as part of your business just spend a minute, get QuickBooks it will help you create a invoice it will help you price your jobs, it will help you keep track of when you need to pay taxes, all these things that will creep up on you.

**Marc V.** Also there is fresh books and there is ZOHO accounting and there is a bunch of them out there, just get on Google yahoo and search on small business accounting and you'll find the bunch; find the one that's easy for you, its going to help you out a bunch and they are all going to do a thousand things more than you need, so just find the one's that you need to do watch a YouTube videos and all of those are going to have a bunch of free YouTube videos to teach you how to use it locally you might even be able to take a course or even a community college course or one of those learning center courses where is 10 hours on how to QuickBooks or fresh books just do that because I 100% guarantee that the folks who do that are more likely to be successful to the folks who've got a rattled up torn up notebook that forgot to do orders, forget to collect money, I had a mechanic; this story is just amazing to me I had a mechanic that did some work for me on my car and he said "pay me half up front" because he has to order a whole bunch of stuff and pay me half later, great! so long story short there was an issue with the delivery of the car, I couldn't pick it up I got a buddy of mine that's going to be in your area ill just help bring it there and then he has gotta run some errands and I'll pick him up later, don't worry about it; Thanks man how am I going to pay you, just ill call you next week, alright it was like Friday and so Friday after noon I got my car delivered while I am at work awesome customer service it looked awesome I mean I had a really good experience, so about 10 days goes by and I am going through my bank account doing some stuff and I said 'I almost got like a thousand dollars' and I had a thousand dollars sitting aside and he never called me and asked for it, so I drove by his shop and said "you know I owe you a thousand dollars" yeah!, so he pulls out his book just the spiral notebook all rattled up and he writes 1000 dollars and he checks it off that I paid it to him and I give him the check and that's going to happen to you if you don't do your accounting.

**Mark S.** Please don't be that guy.

**Marc V.** It will though it will because you'll forget to collect the deposit and you'll order shirts and they'll never come pick em up you'll forget to collect the final payment, whatever its going to be you will, how will you not if you keep track of it.. How will you say you never forget unless you have the most amazing memory in the world?

**Mark S.** And your email account is not your accounting system so just because you have something written down on an email it's not the same as an invoice, it's not the same as a purchase order it's not the same as anything having to do with an actual accounting system.

**Marc V.** Correct coz email is communication software.

**Mark S.** And you'll actually will have to do your taxes at some point and the notebook and a stack of random receipts is not going to be enough to do it correctly, its going to be a challenge and you're going to end up paying uncle Sam more than you should have, not that you are finding loopholes literally just more than uncle Sam wants you to pay, he's going to ask for certain amount of money and if you're not organized in what you do, you're not going to be right and you're going to pay more than he asked for.





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**Mark S.** Whatever he wants.

**Marc V.** Coz of what you've document.

**Mark S.** Okay, so that is enough on accounting because frankly it depresses me just a little bit. Let's talk about one of my other big pet peeves with people that start a business with a complete lack of cash on hand.

**Marc V.** Yeah, yes.

**Mark S.** So, you are going to need a bank account and cash on hand beyond what you just spend on purchasing equipment and you are going to need it for couple of reasons, number one you're going to have to be able to order supplies in advance and have supplies on hand because somebody is going to come in one day and they are going to want 250 shirts, you're not going to have enough backing and if you don't have a bank account with a little bit of cash on hand a little bit of float, then you're going to be calling your old customers and asking them to pay their bills right now can order thread and get back into this job.

**Marc V.** Yeah you're going to become a collector so that you can stay in business to do your next job and I think also the cash doesn't always have to be literal if your investment is through credit card or credit or a home finance loan or whatever it might be you just need to have some liquid availability because when you get that embroidery machine you'll get that call say if you got a machine from ColDesi you would get a call from Colman and Company and one of our representatives would explain to you about all the supplies that you're going to get and you're going to get a nice stack with your machine to practice with to learn with, but that's what those are for, so we sell these embroidery kits that I am going to plug for a quick second there is like the essential kit that's got all the little things that you're going to need to have on hand like a bunch of oil for your machine and an aircan to clean it and some tools then there is a popular kit which is all of the most popular items and then there is professional kit that is you're ready to do production, in my opinion not just because I do the marketing and sales for this but because it makes sense if everybody got the professional kit if everybody had enough supplies in the beginning to do all the work that you're going to need your life is going to be easier but part of that is having the cash on hand so that you could go through and you could order 10 cones of thread and giant roll of backing and all of these are things that you re going to need you need em that's it

**Mark S.** So supply is definitely a big deal, what you don't wanna be is you don't wanna be that fender like I have been in some circumstances where I've called to get paid for other jobs other kinds of work and things like that and the response that I get is my customers hasn't paid me yet, so I am not going to be able to pay you until they do, so you can't be that person, you can't be that company that's not the way a business should work. So you should have enough cash on hand to keep your inventory up to snuff to take advantage of opportunities for supply deals and things like that, that mark just mentioned, but also I have to educate you on the hard realities of starting a business. You may not make a paycheck your first month, so you may not hit the ground first month, so you may not hit the ground in such way where I just quit my job making 30,000 \$ a year or 50,000 dollars a year or whatever it is I just quit this job completely to start my embroidery business because I've figured out that I am going to make a lot of money doing it and the end of that first month comes and you've gotten half the jobs that you had expected, or you make twice the mistakes upfront. You have got to have cash or credit on hand so that you can pay your mortgage and fill your refrigerator with groceries while you get your business up.



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**Marc V.** Yeah the cash is not just buying supplies and marketing and buying software and learning how to use accounting software of all the things that we talked about the cash, the cash maybe paying your salary.

**Mark S.** I will go so far as to say this because I've had a lot of small business experience, if you cannot go for 90 days with the cash that you have in the bank, not making a dime from your new business then you should probably wait a little bit before you start.

**Marc V.** Or wait a little bit before you go full ON. So I can't tell you how many times that I have talked to folks that they wanted to start the business but they don't have a ton of cash so they start it small and they start it on the weekends, do it, do it, do it! so I've gotten calls from people like I've just quit my job and I am calling you from the car leaving on my day that I quit my job because we are finally to the point where we see enough money coming in and we have done the math that we can afford to still pay our bills; no Larry he hasn't quit his job yet, but I have.

**Mark S.** That's amazing that the right way to do it.

**Marc V.** And... and coz they did the math they said "now we could still pay for our kid's school we could still pay our mortgage we know its going to be tighter", which is cool to do that but they've done the math per say and I said "okay so what's your plan then how are you going to get more business then so you could do that" and then they said "well all of that money, we've got 500 dollars a month, I don't know what it is for yet but we've got 500 dollars a month"

**Mark S.** YOU'RE MAKING THAT UP...

**Marc V.** I Swear, they are from Kentucky and I remember them very vividly because it was one of the first times that somebody said that to me and we could be jaded because so many people in the small business startup world don't think about all of this stuff but there are folks who do and they win.

**Mark S.** I got the opposite story...

**Marc V.** I'd love it.

**Mark S.** Yeah it's not great because we had a customer that bought multiple pieces of equipment and I put it out there all the time that if you need marketing help, if you want to talk about marketing your business, if you got an issue and if you want to talk about whether or not you need a website, you guys are all welcome to call me or send me an Email, I'm sure Marc feels the same way, we are happy to help with that stuff.

**Marc V.** Well, we have a new Email address.

**Mark S.** Yes we do, let's talk about it now.

**Marc V.** Yeah, Okay.



## EPISODE 8: **Biggest Mistakes Starting an Embroidery Business**

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**Mark S.** Its host@CASpodcast.com

**Marc V.** So its host as in H-O-S-T @ CAS customer apparels startups podcast dot com, and we have a contact forum on the website as well, so you could just go to the website hit the contact button and fill it out, every time somebody asks some questions about sales and marketing and startups, I get excited about it, I know Mark does he gets giddy and jumps around and...

**Mark S.** I do its embarrassing.

**Marc V.** It is embarrassing to me that I know you.

**Mark S.** But let me tell my sad story, couple bought actually women bought a DTG printer and a embroidery machine and she got a sign system from another vendor and she calls me up and says "Mark you know I really need some advice on starting up a website" and I am like okay, great! tell me about your business, "well, we got our equipment, we move into our retail space this week and I go in for training next week and my son can do all the graphics for the website, what do I do?" So what that tells me is that she bought at least three pieces of equipment, so let's say she spent 70,000 dollars on starting a business, she signed up on at least a six-eight months lease on retail space and her employee is her son which she is probably not going to pay. And they haven't event got trained on the equipment yet, so I've got everything that we've talked about, no plan no marketing plan, no marketing budget, she's spending all of her money on equipment and retail space and she hasn't done the math, how could she ?, she doesn't know how much it would cost to be in business yet, so she hasn't done that, there is no profitability analysis for each job or each piece of equipment, now she asks me "how do I get business ?" you don't have a marketing budget or things like that, well then you're just going to have to do it the way I would, that's throw some samples into the car and start driving.. Cause that's the only way you're going to do it.

**Marc V.** Right, and it's such a tricky situation but this reminds me of another mistake that I don't think is on our initial list but its related to this, it's that... what's going to happen to her, what's going to happen to too many embroiders and printers everybody is it drives me nuts when somebody come in class 'oh I'm so excited!' why? I got my first order for 300 hats to deliver by the end of the month... and I sold them for 25 bucks a piece which is great maybe they even did a little bit of planning, you know 25\$ is the number that I wrote down, that means I make money, awesome!, you don't know how to run a machine.. and now you're here training on the 22nd no, it's not terribly hard to learn and the sales people will say that coz it's not but, but you're putting yourself in a really sticky situation, so if you are opening up a store, I'm moving into my store-front next week; you'll probably get some walking traffic you're going to get somebody who comes in and says "I need 50 shirts and a sign".

**Mark S.** Yes.

**Marc V.** Okay, well you're probably going to have a unhappy customer because you're going to make a mistake, you're going to rush, you're going to be stressed, you're going to make a mistake in the machine possible going with a machine out of order for a day, you're going to call up the technetium, you're going to be upset "why are you making a promise to do that, you wouldn't invite all of your friends over and say to make consumae when you've never cooked before" well yeah well that's why I used that as the example because this is the equivalent.



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**Mark S.** Right i don't even know what a consumae is.

**Marc V.** You don't even know how an embroidery machine works or a printer works, don't make a promise to somebody that you're going to deliver... eight days might be long time, but it's a long time for somebody who knows what they are doing.

**Mark S.** Right, and that actually is one of the points that we got is the last one was related to talk about and that's no restraint.

**Marc V.** Yeah, Yeah, there you go.

**Mark S.** So, that just demonstrates no restraints, mostly from enthusiasm, like I've got this business, okay so I've got my single headed embroidery machine, I learned how to use it this week, next week I am going to go visit coca cola in Atlanta and I'm going to take that corporate account and if you get it, you'll be out of business in about a minute!

**Marc V.** So, before we go too deep into there, since we were hovering around accounting and money, let's talk about no profit which is when we had discussed this list, that was the one that kinda popped in the most and we discussed it a little bit but you've got to prepare yourself to make money and I think that, that is a huge mistake because it gets lost in the mix somewhere, is making money somehow gets lost in the mix - which is so counter intuitive.

**Mark S.** Well, as a sales person though, I talk to people with bad attitudes about selling all the time,

**Marc V.** Yeah, okay.

**Mark S.** Like people undervalue their efforts and that goes to about two times what it costs, kind of approached to pricing your work. You have to realize, how much you and your time are worth and you have to build in profit, so if you want to make for an example for we got one customer in rhinestone business and the way she prices out her job is she takes how long its going to take her, how much she wants to make in an hour and then she adds in her supply costs and that how she prices out her job and that is actually kind of reasonable because she is never going to lose money that way.

**Marc V.** Yeah.

**Mark S.** But profit is the money that is above and beyond what it takes for you to run your business and that includes your salary.

**Marc V.** And it also includes reinvestment in your business, it should be part of it too, so if you want to have a marketing budget to grow to the next level that's part of the cost, you're not a t profit yet, so eventually you're going to hit these walls and plateaus at such when you are in your business where if you are on foot, if you started on foot like you said take samples and put em in the car, that problem that you turn into that is that becomes an ocean business a wave, because you spend two weeks in the car then two weeks in production, then two weeks in the car.



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**Mark S.** Right, coz you're going out to do sales and then you get a sale and then you have to fulfill.

**Marc V.** And then you fulfill, so you might be making the money that you wanna make when you are doing the production then you are poor the next week, so you're hustling again.

**Mark S.** Sounds like sales!

**Marc V.** Yeah and that's what sales is, so what you have to do is how can you minimize those waves and that's part of the budget and the profit that you are building, that's a part of making money is that part of that money is saying what is my next step?, well my next step is hiring a production person, well how am I going to do that, well I've got to make sure that I got a couple of months worth of salary in the bank for him. So I can start paying him, but I don't have to make that money right away so I am not losing money immediately, you know whatever that plan might be for you or it might be I don't want to get in the car anymore, I wanna get a billboard, I wanna pay, there is a bench right at the beginning of my shop that has been open and nobody has been advertising on it, I wanna put my sign there so that every single person that drives by sees my sign shop is here or my embroidery shop is here, whatever it is, you've got a plan for that and that's gotta be a part of the profit.

**Mark S.** And profit just so, we know is not only what you are going to make a above and beyond 100% above your expenses and your margins on the product that you sell, you can think of profit as when you settle up at the end of the month and you've paid yourself and you've paid your bills and you have enough supplies in-house to fulfill the next set of jobs, the profit is what's left over into the bank that you don't have to spend on anything, you don't have to spend it on anything. So now that's your dream money right there, so I've got 500 bucks or 5000 bucks left over at the end of the month, it's just in the bank and I don't need to use it to make a car payment or fix my machine or spend it on anything, now I can take that and like say "okay wow if I can do this for the next two months I can maybe reinvest and add another piece of equipment or I can reinvest and add a sales person, or I can reinvest and bring on some production help or get a website done or whatever it is", profit is dream money at the end of every month; and if you don't have or until you have that amount of money at the end of the month, you're not actually in business, you bought a job.

**Marc V.** So, if you can get to zero, that's a level of success so you shouldn't beat yourself up if in month four you've done your numbers and you hit zero, that's a level of success however how long is that sustainable for because what happens if you fall and you knock your machine over and you have to pay 1800 in repairs, you know all of these unexpected things should come along the way.

**Mark S.** Or god forbid you should wanna go on vacation.

**Marc V.** Yeah, Yeah, oh...

**Mark S.** Forget it because your business is closed, so until you have that profit in the bank which what you've really done is, you started a business, you are a business person and you have a plan and you're going to grow but until you have profit in the bank then you are basically working for yourself; in other words you have a job, you don't have a business going, so profit is something that you need to think about every day, it's one of those things on that list, how am I going to get new customers?, how much can I spend on getting new customers?, how much time I can spend? do I have my accounting in place, do I know from where the



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money is coming from and where it's going, do I have cash in the bank that's just there, so I have growth and emergency money - the next thing on the list would definitely be, do I have extra money at the end of the month 'profit'.

**Marc V.** You've got to, and you gotta make that a goal at least, so that's gotta be what it is, because you might not take a vacation that first year or first two years, whatever it might be but you should plan for all of those things, how am I going to take vacations? How am I going to grow? How am I going to scale? Am i going to hit a plateau? and all those things require that profit in the bank and I think we've gotta dive into and get towards our wrap up going back to our restrain that we've talked about before because that's really tricky and what do we mean by restraints, the restraint meaning that its fine to say "NO" when you are talking to a customer, its fine to say that I can't do it for that price, its fine to say I cant fulfill that job because you're going to get yourself in trouble if you don't learn that.

**Mark S.** Right, its big orders and small orders. So what's going to happen when people find out that you have an embroidery machine and you do this kind of work, the first thing that's going to happen is you're going to hear from a church any charity that you're involved in and you're going to hear from people that are looking to get stuff for free.

**Marc V.** Absolutely.

**Mark S.** So, that's the first thing people are going to do, they are assuming that because you have money to spend on a machine you're going into business that you would be happy to do charity work especially to start out.

**Marc V.** Yeah and guess what if you've got that, if you got a marketing budget and you can do an event where say... it is a charity walk and they've asked you to make a 150 hats for it and you have the opportunity to put a business card in every hat because you know that the people who are walking are business owners and decision makes and small businesses and people on the school board and HOA and all these things, well then you got a marketing budget and you can make the choice to say, I believe this is a good marketing opportunity for me, I get to A- do something good for the community; B- get my name out to a whole bunch of people; that's marketing but that's not something that, if it's not part of your marketing budget then you gotta say NO!

**Mark S.** You have to be in a position to do something like this

**Marc V.** Yes.

**Mark S.** Because in the end what you'll end up is, you'll end up spending 500-800 dollars on hats supplies and embroidery, you'll end up spending a week or two doing a job and end up getting no money for it and it's not just the time it takes to do that kind of work because you are not doing something profitable during that time.

**Marc V.** Yes, you haven't spent that time selling.





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**Mark S.** That's what you call opportunity calls, so if you spend eight hours doing one thing, what else could you've been doing that is more profitable for those eight hours.

**Marc V.** Absolutely, Absolutely and I think that also comes down to; you had mentioned that I think there is three or four possibly big orders and small orders, the free stuff and then you know the unreasonably priced requests like pricing too low so, what will happen; and we've actually spoken about this a couple of times but I would be fine talking about it in every episode because it a challenge that somebody comes to you and they want 50 hats embroidered, they are going to be 20\$ a piece an arbitrary number while so and so said that they'll do it for 15\$, okay now you have a choice... okay, are they bluffing ? Who knows but are you willing to do it for 15\$?

**Mark S.** No, Not are you willing to do it for 15 because you might be because you don't have anything else to do.

**Marc V.** Okay, Yeah good that's a good way!

**Mark S.** Is it profitable to do it for 15\$ is it profitable enough to fit your plan to do it for 15\$.

**Marc V.** That's accurate, that's much better phrasing up because that's exactly what it is, and there is always decisions to be made in these, one thing I mentioned to mark before when this list came up and if somebody comes in and says, can you make me a hat? I wanna make one for my uncle - it's his birthday bla bla bla... Okay that hat's going to be (you do your math across the board, well if I am really going to do this one hat, I am going to charge 35\$) so you tell them that and they say "that's preposterous!"

**Mark S.** They would never actually say that.

**Marc V.** But they may say Yes or No, well you've got choices sometimes to make where I think you can deviate from the plan because I am not a hard rule type of person generally, if the person that you are talking to is the president of the home owners association of a thousand units condo complex, maybe it's worth it to say, you know what I met your uncle he is a good guy, you said it's his birthday? I'm going to do it for him, and all I ask in return is would you refer me some business?

**Mark S.** See and that's definitely some worthwhile, if that's why you're doing it and if you decide in advance.

**Marc V.** Yes.

**Mark S.** It's not a hard strings kind of a thing because you'll end up, you just want to do somebody a favor and do that you'll end up spending your business times doing favors instead of making money.

**Marc V.** There should always be a reward at the end for you because it's your business there is nothing wrong with doing favors and nice things but at minimum if you've made the choice ahead of time to do that favor or nice thing to do whatever it is, or do something at a discounted price at minimum you have to say 'I'm doing you this favor in return the way you can pay it back to me...'



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**Mark S.** This is what I would normally charge for this hat but because you're going to send me at least 10 referrals. I am happy to do it for free.

**Marc V.** And you can ask them for something concrete like send me 10 referrals, you can also say, how about this, I am going to do this for your uncle because I know him and he is a nice guy, all I want back from you, can you give me three people that I can mail/call/stop by/see whatever it might be, that might be in business to buy embroidery from me.

**Mark S.** I love that idea.

**Marc V.** You know just tell me who they are, tell me their name - I know who I can send you to talk to, like I know Bob he's the guy who runs the golf course and they always have tons of embroidery stuff they sell, I don't know where they buy from what they do, that's fine can I use your name?

**Mark S.** Right.

**Marc V.** You know Bob is really close to me, tell him I sent you over.

**Mark S.** Now we're going to do a podcast on 'how to ask for referrals' I am going to write that down right now, Now one of the things that I want to talk about restraining that you brought up is really kinda back to the pricing and planning and things like that is some people have a problem saying 'that'll be a 35\$ hat'.

**Marc V.** Yeah.

**Mark S.** And they have a problem saying that because they would never spend 35\$ on a hat and they don't think they are worth 35\$ in time, you've got to get over both of those things, the goal in pricing and your quest for profitability here is not to charge the lowest price that you can possibly charge and still pay your grocery bills and that's what I find a lot of entrepreneurs particularly for some reason in the embroidery field try to do, they try to figure out, okay what's the lowest price that I could possible charge and still you know maybe I won't go to the movies this week and still make a little bit of money and have the customer buy it.

**Marc V.** If you are embroidery and somebody is willing to pay for something a price, that's what it's worth, in real-estate the value of your house is not what your neighbor's house sold for, it's not what you think it's worth a sentimental value, somebody comes in and says I will give you 200,000 dollars for this house and they are willing to or ready to, that's what the house is worth, that's literally how they price out what houses are worth or what are people paying for it, so that's all it is, if somebody's willing to spend 35\$ for a hat then its worth it to them, if they are willing to spend 50\$ for a hat it is worth it, so it is worth that and one little caviar is the other end of the spectrum, don't be a jerk and so narcissistic that you say that I'm not going to do anything unless I make 50 or a 100 dollars, so then somebody asks me for a hat and then I say it's a 100\$

**Mark S.** Just pass, just pass on the job.



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**Marc V.** Don't turn around and you could say that, you could say 'my time is very busy and is taken up, I normally don't do single jobs because of the fact of what I would have to charge to do that - it might be unreasonable' and I don't know how you would word it.

**Mark S.** And that's a good point as far as your marketing plan goes because pricing is part of that, what you might want to do and it also speaks to the no-restraint because people will take like a one piece job or a five piece job and there is just no way that's going to be profitable if they don't charge enough is you may decide if you want to take those jobs but there is going to have to be a setup fee, you're going to have to figure out what your minimum charge is that's going to make you a profit and if somebody want one hat, well the hat may only be 15\$ but because of the time it takes you to get everything ready everything one hat is going to cost you 35\$ because there is a 15\$ setup fee.

**Marc V.** And that's a great way to actually start that, you say generally I have a minimum order of 10 for a reason because I have to charge a 20\$ or 25 or 50\$ I mean if there is custom digitizing involved might be 50\$ setup fees, so I have a 50\$ setup fee and the problem is that if somebody wants a customer digitized hat, they don't feel it's worth that 50\$ plus the actual cost to make it work, although I do have a minimum order however if you really want one hat I am willing to work with you but it's got to be at least this and i'm not going to charge you that for one hat but it's just that's the way I stay in business, and I think most people will respect it if you say this is how I stay in business and I have to be able to make money and pay my bills and my business has to be profitable and this is why I have a 10 minimum, however I am willing to work with you but the fee might be there.

**Mark S.** You may not get the order but at least you will not and rather you spend an hour watching opera than an hour doing unprofitable business because then you are going backwards, zero is better than going backwards. Now I am going to say one more thing about pricing.

**Marc V.** Okay, let's hear it.

**Mark S.** Because my partner Marc here has more experience in actually doing embroidery because I cannot run an embroidery machine and he can, and I talk to people all the time who base their pricing on stitch count and I know that's and industry standard, everybody does this and as a marketing and sales guy that drives me Cray because what Marc just said was true because when somebody prices out your house they do not count the number of cinder blocks that takes to build it, they are not counting the two by fours that it takes to put drywall on, what they are doing is they are seeing what the value of the house eyes to the community and to the people that are looking into purchasing it, so I don't care what the stitch count it, you know if someone wants to come and they want to embroider cap or they a 150 pools what I care is what is the price that the market will bear, so I might as part of my little marketing exercise in the beginning, I might go okay, in my area if someone wants 24 uniforms with embroiders company's logos on them how much do people pay.

**Marc V.** Yeah.

**Mark S.** What is the average charge, and am I going to be a little bit less than that so I can get the business in the beginning or am I going to get a little bit more than that because I am going to offer quicker delivery or better service or something else.



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**Marc V.** Yeah you're going to be more of a perfectionist in the work, so the stitch count thing is an interesting thing to me, I think it is a nice rule of thumb to go by but it can't be anything more than that because, you can have a 10,000 stitch design that could be double the time to embroider, how many trims are in it, how long are the stitches, is it fill stitches that are just blasting through or is it satin stitches that are going over foam, are there stops in the machine, how many color changes are there, a single color red with 10,000 stitches is a lot easier to embroider than a five thousand stitch count with eight different colors.

**Mark S.** And since we are talking to a bunch of entrepreneurs that are just getting started, they're not going to know any of that, they're going to do the design and count the number of stitches, then they are going to do whatever dollar per stitch or whatever it is and then they are going to multiply it times two and then they are going to use that for their price, when the guy down the street may have charged three times as much for the same project.

**Marc V.** Yeah and so it's a nice way to do some basic math or give an estimate, so if somebody says, how much to do it and you look at it and you get more experience so you'll look and say well this is probably going to be 10-15 thousand stitches, rule of thumb is a dollar fifty for every thousand stitches, so this is probably going to be somewhere around 10 or 15 just for the embroider BUT, you know BUT what I need to do is take a look at this logo, look at how its going to digitize, look at the color changes and look at zooming, let me do a little bit of research on and then I can give you an exact price.

**Mark S.** I like that idea.

**Marc V.** Because you might need to deliver coz sometime, a lot of times if they have never ordered embroidery, they have no clue what it's going to cost. They don't know if its going to be five dollars a hat or four dollars a hat, so it's fair to give a range especially because you also, in the restraint no you don't have to let those people who walk away they don't have to pay, you don't wanna spend all this time on folks who find out its 25\$ "oh I didn't know its going to cost 25\$, never mind" how much time did you spend to get to that point.

**Mark S.** Yes.

**Marc V.** So, in the beginning if you look at that estimate you could look at it and well the average logo is 10,000 stitches and its usually going to be about 10\$ to embroider it and its about 10\$ for the hat and that's about as rough as I can give you because you are asking me for kind of a quote; but there are a lot of factors involved, what kind of hat do you want is it fitted or not, do I need to look at multiple sizes, how many stitches is it how many colors is it, what sizes do you want Nike or Generic ?; these are all the reasons why I am going to give you this estimate, its going to be close to this however it can be really far off if you have loft your goals but what I am going to do for you is I'm going to come to see you and you're going to come to see me, we're going to spend a little bit of time together talking the exact details that you want and the quantity and then I'm going to take that information and I'm going to provide you with an accurate quote for them its going to be an educated quote that they're going to get their information for you, its tonnage profitable.

**Mark S.** If you get the order. Part of the no restraint thing that we talked about before on the small orders is if it's not going to be profitable you have to feel comfortable in saying no, the same thing goes on the big orders, so even if you get that order for somebody watching the shop or somebody you meet on the street



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and they want to get a 1000 polos or a thousand hats done, are you going to say 'YES' and is that going to run you out of business because of the things that you're going to have to look at; let's say you end up getting with the plumbing company whose got 500 employees and they want all new hats, but there is a convention in two weeks and they want in two weeks, so if you take up that order and you're not able to fill up, what's going to happen to your business or if you order all those hats in so you're going to have those, you're going to order all those supplies in and you're going to have those, so you're going to have that in stock and possibly lose the opportunity for future business because you cannot fulfill the order, so you have to be able to say NO because you don't have the capabilities internally to complete the caps.

**Marc V.** You also have to know that if there is an embroidery shop that has got two twelve head machine four 4 head machines and you're being shopped and you got a single head or two single head or maybe a small and then the shop down the road that they might be shopping against has 4 Four head machines, they can do it for cheaper.

**Mark S.** And sixteen times faster.

**Marc V.** And sixteen times faster and they probably have more experience. So that's going to also give them a little bit of an advantage, so you are not going to be able to price compare to that, so sometimes an answer might have to be "hey I'm shopping around for embroidery and this is what I need" and your answer might be I'm a boutique shop, if you want an individual name on every hat I'm probably the person to talk to, but if you want the faster, cheapest delivered on that, I'll be happy to quote you, but I want you to know ahead of time that I don't have 16 embroidery heads here I got two, why? Because I specialize in boutique small orders, customizations.

**Mark S.** I love that approach.

**Marc V.** And then so what I can deliver for you is that every single hat is going to be perfect, then if you want them customized I'll customize every single one of them for you, and you're going to be happy for every single thing that's going to get delivered, but I can't do it as cheap as if you are shopping around I am not the cheapest town on that. That kind of respect will earn you some business and you'll be surprised even though you are more expensive.

**Mark S.** Yeah, I agree so you'll maintain your profitability coz remember even if it's a big order and it may be the first four thousand dollar you've ever gotten, just because they are willing to pay you four thousand dollars doesn't mean its profitable, it's a profitable four thousand dollars for you coz it may take you more time, it may take you more effort than you're willing to or capable of investing.

So the other part of that is going to be -saying NO because of terms, now in the embroidery and other businesses if you get approached by a big company and they want a large order or honestly even a medium sized or every order, frequently they would want to give you a purchase order forum and the government is actually notorious for this, so if you get a government job, so let's say you get a one thousand or a 1200 dollar purchase order from a local company that you know and you respect, well, guess how many, what percentage of companies actually pay their bills within thirty days after they get their invoice.. it's a really low number, most of the time what happens is that thirty days, they'll pay their bills every two weeks and your their days would be one day after the last time they played their bills so it'll be another two weeks and if you don't have that cash in the bank then we've talked about a couple of different times that then you're not



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getting paid for that order on time, you may not have the money to get the supplies or do the marketing to get the next order.

**Marc V.** And you don't know their financial situation, you don't know if they are about to go out of business, you don't know if how many bills they haven't played on time, or never played, it's a tricky situation. Generally my thought on doing that type of purchase order on a credit coz that's really what it is its credit, you need to be cautious about that as a startup, when is it worth it. And I am going to tune it right to your marketing budget that you need to be prepared to not get paid on it.

**Mark S.** Right, that's why that's one of the reasons why you should always get a deposit upfront before you start embroidering too, so you should at least have your supply costs covered so that you are not out of numbers, still it could be a complete waste of time coz at some point in your carrier within a first year or two when you first start your business somebody is not going to pay you.

**Marc V.** Somebody is not going to pick up, if you're doing it right you're going to take your deposit say, 25-50% whatever the number was, you're going to make the hats, you're never going to hear from them again.

**Mark S.** Right. It could be for a lot of reasons but it definitely going to happen.

**Marc V.** It could be anything from them literally dying to them being out of business, to them just being a crazy person. I mean you don't know it does going to be all of those things.

**Mark S.** Or that person who handled that whole deal got fired.

**Marc V.** Yeah. And the new person in charge is like listen that wasn't an approved budget thing we are not doing it, so it's a risk anytime that you're going to deal with not being played up front, with certain organizations I would feel more comfortable with, if it was me and it was a school board

**Mark S.** They'll pay eventually.

**Marc V.** I mean I would say, they're probably going to pay me I would feel very high they're going to pay me, if it's a local small business and they are asking for that, that is always going to leave me to be a little bit leery.

**Mark S.** It means that they don't have enough room on their credit card

**Marc V.** Yeah.

**Mark S.** that exactly what it means

**Marc V.** Which makes me uncomfortable why you don't do that anywhere else, you don't do that at the grocery store, so there is nothing wrong with putting your foot down, I take a deposit every time, do you wanna know why ? I've been burned.





## EPISODE 8: **Biggest Mistakes Starting an Embroidery Business**

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**Mark S.** Right, so part of that NO-restraint is do not be persuade by the thought of a huge order when someone is waving a POH, you've gotta keep your head, somebody is waving a purchase order at you for 10,000\$ worth of stuff and you are like Oh my god I'm going to make so much money I'm definitely going to take that deal as a matter of fact ill wave that deposit because they don't do that, they're a big company they don't do deposits or anything like that, I'm just going to do the job, they're definitely going to pay me and then in eighty five days after you deliver the odder you're going in knocking on doors trying to get somebody to write you a check, okay have restraint with a big orders to make sure that you have the capability to do them, have the time to do them can do them profitably and have a solid expectation to get paid for them, have restraints for the small orders to make sure that you are doing every one of them profitably either from a marketing perspective or you're actually going to charge a setup fee or some other way recoup the right amount to be paid for that job.

**Marc V.** In other words for me just always balance your risk and rewards for every situation that you're going to do and maybe taking that 10,000\$ PO is a great business decision, maybe it isn't but it's your decision to make, it's a decision for you to make so I think that in the restraint the restraint is not necessarily saying no, the restraint is taking the time to think about it and taking the time to balance the risk and the rewards and the business decision.

**Mark S.** I think that that is a much softer way to put that, coz you know I am a NO kind of a guy I really...

**Marc V.** I think it is balanced it's a balance because sometimes that PO might mean the difference that YES on the PO might be what turns your business from a small startup to a six figure a year.

**Mark S.** It could be, maybe a conversation with the person that's writing the PO or that's going to write the check in advance would help.

**Marc V.** So, you balance that in the small job too, making one hat for one person could be the difference between them referring you to a hundred thousand dollars worth of business as I said like if it's the president of a HOA, so it's all the risk and reward and you balance it, don't let green flood your eyes, so it's all a decision and it's not easy to make, for me the restraint is thinking about it every time and don't be afraid to say NO.

**Mark S.** Right, I'd say the only thing I would change about that is I would start with don't be afraid to say NO, and then I would say think about it before you say NO.

**Mark S.** Actually I agree with that, I do agree with that.

**Mark S.** Guess what I'm going to do, today I'm going to let you do the recap of the biggest mistakes make starting an apparel business...



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**Marc V.** So, we'll start off with- start with a plan, there are mistakes- Not having a plan is a mistake, not doing math ahead of time is a mistake, how much is your business cost? What is its cost to run? making money is part of that backs up into not having any accounting, not managing your invoices, your payables, your receivables, your bills, your supply costs all of those things, have accounting as we mentioned get software it will help you it's worth the money, doesn't have to be those expensive one, get something learn how to use it, then another mistake is getting something and not knowing how to use it, do not have any money available that's a mistake, have some cash on hand.

**Mark S.** You must have cash...

**Marc V.** Cash or credit or both... both is preferred, another mistake is not being profitable meaning: at the end of the month you've got money in the bank that doesn't have a job yet per say, the job is saving or the job is profit.

**Mark S.** You're right the goal is not saving over the goal is not just to pay your bills the goal is to have money left over.

**Marc V.** And that's profit and then exercise restraint and say NO think about it, consider bog jobs and small jobs consider profitable jobs and non profitable jobs and consider when all those things tie into the rest of the stuff above it. So when does the job is not profitable mean its marketing and then the one that was a little side note that wasn't really a huge bullet point but I'm going to say it again is know how to use your equipment before you make a promise to somebody. That is one that will cause you the most angst the most restrain it will cause you most likely to make mistakes, most likely to damage the equipment, most likely to be angry at the technician, most likely to upset your customers, if you make a promise on a job before you've learned to use it, I would say that 99 times out of a 100 you're going to cause undue stress to multiple people beside yourself.

**Mark S.** And here is my request to you guys, I always make some kind of a request.

**Marc V.** Alright what's our home work?

**Mark S.** The homework today is: I know that there are a lot of people about there that are actually in business and have run into the wrong side of everything that we've talked about in this podcast, so I'd like to hear from you I want to be able to share your story with somebody else about how you said NO to a small job and that was a mistake or you said YES to a big job and that was a mistake or you didn't have cash in the bank or you had to borrow this money from somebody because you didn't have enough profitability building your systems or you forgot a 10,000 invoice and didn't get paid, I wanna hear those stories so that we can share with other people.

**Marc V.** So, go to CAS Custom Apparels Startups CAS-podcast dot com and you can contact, you can also E-mail Host @ CAS Podcast Dot com.

**Mark S.** Our shiny new E-mail address.



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**Marc V.** So, do that and tell us a lesson that you learned that you feel in some sort of altruistic way that you're going to help somebody else to avoid some anxious some stress and some failure by a lesson that you've learned and I that's a great piece of homework and it'll probably help to re-invigorate how you learn that lesson and teach yourself something new while you're writing that, so contact us about it.

**Mark S.** And as always we appreciate your time and attention and we hope the ramblings of the custom apparel startups podcast helps your business be more successful.

**Marc V.** Absolutely and don't forget the Facebook page, and the Facebook group, CAS podcast it's a great community, it grows every single day, it gets bigger and bigger so we've got new episodes coming out and if this the first one you've listened to, go back there are some really awesome ones, we just did one on sales I really liked that one.

**Mark S.** Yeah that's my favorite so far.

**Marc V.** I really like that one and we've also done some interviews with NNP and Print ware, those are good too.

**Mark S.** We haven't done any bad ones honestly...The introduction one kinda sucks...that one isn't great.

**Marc V.** Yeah but it's an introduction one it's supposed to suck I guess... But anyways thanks for listening and visit [CASpodcast.com](http://CASpodcast.com) I am Marc Villa.

**Mark S.** And I am Mark Stephenson.

**Marc V.** Thank you.