

GROW YOUR BUSINESS!

**125 Success Tips
for Small
or Home-Based
Promotional
Products
Distributors**

**Rosalie Marcus and
Robert Winthrop, CPA**

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This booklet is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the authors are not engaged in rendering professional services. For advice on specific situations, please seek the counsel of a qualified professional.

Regulations regarding small and home offices may change, therefore this booklet should be used as a general guide, not the ultimate source of information.

Introduction

There has never been a better time to work in the promotional products industry. Sales are at an all-time high. Technology has leveled the playing field. Promotional products (products imprinted with a company name or logo and placed on a useful item) have gained a newfound status with users that run the gamut from small start-up businesses to Fortune 500 companies. To succeed in this industry, you must be knowledgeable.

These tips are designed to increase your professionalism and understanding of the promotional products industry and increase your awareness of sound business practices. My experience as a promotional products distributor since 1983 and my husband Robert Winthrop's background as a CPA have given us the tools to understand the unique challenges of this industry.

It is our hope that you will use the tips in this booklet to further your career in the promotional products industry and work smarter, not harder!

For further information about quantity purchases of this booklet or speaking engagements and consulting services, please contact us.

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Start-Up

1 Know yourself and your skills. Are you motivated? Do you make decisions easily? Can you organize yourself without outside direction? Do you have the skills and interests required to succeed in your chosen field? Are you prepared to work long hours if necessary? Knowing the answers to these questions will be vital to the success of your business.

2 Investigate local zoning laws. Is your community zoned for a home-based business? If you live in an apartment, condominium or single-family house, are you permitted to work from your residence? Check with your local municipal government.

3 Review your homeowner's insurance. Make sure that your business assets are adequately covered (computers, fax machines, other equipment, etc.). Most homeowner's policies do not cover business liability.

4 Determine what other insurance coverage is needed. You may need to purchase insurance such as business liability, malpractice, health, disability and worker's compensation.

5 Know your equipment and electrical needs. Make a list of what you need and the estimated cost. Consult an electrician to make sure your home is properly wired for this equipment.

6 Be aware of space requirements. Do you have an adequate and private space where you can work comfortably? The ideal location is far from the usual pattern of family traffic, so that you will not be frequently interrupted.

7 Have a financial plan. You can save on overhead by working at home, but you will have to plan for other expenses, such as equipment, letterhead, business cards and advertising. Also, plan for taxes: local, state and federal.

8 *Prepare a written business and marketing plan.* These need not be formal. The essence of your plan is to describe your business and its objectives, goals, financial needs, market and competition. Update your plan accordingly, as your business grows and changes.

9 *Develop a networking plan.* Plan a monthly networking schedule and stick to it. Join your local civic organizations and chamber of commerce. Tell everyone you know about your business.

10 *Select the proper entity form to suit your needs.* Some forms of business structure are more advantageous than other forms. For example, incorporating may bring important tax advantages and other benefits. Review your financial picture with a qualified professional to determine the best entity form for your situation.

11 *Choose a business name.* A rose by any other name may not apply in the business world. Be sure to select a name that relates to you or your business, then verify the right to use that name by checking city and state records. You may wish to register the name to protect yourself from another business using the same one.

12 *Consider registering a domain name.* With the Internet and e-commerce growing at warp speed, you may need to have a Web site sooner than later. Registering a name now can save you time and money.

Organizing Your Day

13 *Have a projected time to start and finish your workday.* This need not be nine to five, but it must involve enough hours to get your work done but not so many that you neglect other important aspects of your life.

14 *Keep a daily "To Do" list.* Prioritize this list from the most to the least important. Tackling the hardest task first will make everything else seem easier.

15 *Set aside time to return phone calls.* First thing in the morning or at the end of the business day is usually the best time to reach people. Most businesspeople are out of the office or in meetings in the midday hours.

16 *Have a separate phone line for business calls.* Let an answering machine pick up all personal calls. Tell family or friends who may need to reach you for urgent reasons to call you on your business line. Your separate business line is 100% tax deductible.

17 *Have a message that plays when your line is busy.* It's important that callers don't get a busy signal (they sound unprofessional), but call waiting can be offensive, often making customers feel as if they are not a priority.

18 *Break tasks that seem especially hard into small segments.* Tackle one segment at a time. This makes difficult tasks become easier and get done faster.

19 *Let your family, friends and neighbors know your work schedule.* Ask not to be interrupted. Explain ahead of time that during working hours you are focusing on business.

20 *Estimate the amount of time each project should take and try to stay within that time frame.* Most projects take longer than you will estimate, so allow for extra time.

21 *Use an organizer to plan your day, week and month.* Purchase a calendar book or do this with a computer program.

22 *Have a single notebook for storing important messages and details from your day's work.* Date every page, and make sure you write down the names of the people who provided you with information. Keep this notebook next to your phone.

23 *Plan some meetings away from your home office.* A change of environment is frequently helpful. If you don't have a meeting set, get out by going to the bank or post office.

24 *Schedule meetings away from your office during off-peak hours.* This usually means between ten a.m. and two p.m., when traffic is lighter in most areas.

25 *Plan lunch meetings with your customers.* People are usually more relaxed when they are away from the office. This is a great way to develop a relationship with your customers and get to know them in a more personal way.

26 *Divide your office into workstations for maximum efficiency.* Have separate areas for mail sorting, for your computer and related equipment, and for samples and catalogs. Keep the equipment you need for each area within arm's reach.

27 *Review your "To Do" list at the end of the day, and prepare your list for the next day.* Transfer over anything you did not finish. Don't leave anything to memory.

Customer Relations

28 *Take the time to understand your customers' needs before you try to sell them a product.* Position yourself as their *marketing partner*, not just another salesperson.

29 *Ask your customers about their marketing challenges.* Then provide solutions that incorporate the use of promotional products.

30 *Offer the convenience of value-added services.* Some examples would be graphic design, special packaging or fulfillment. You need not do all these yourself. The important point is that you provide your customer with "one-stop shopping."

31 *Explain your payment terms and the industry standards for over- and under-runs before making a sale to your customer.* Clearly state your policies on your order form. This helps eliminate potential problems before they begin.

32 *Check the creditworthiness of all new accounts by asking for a minimum of three credit references and current banking information.* Speak or write to all references. Periodically check the references of established accounts.

33 *Get it in writing!* This is really important. Make sure you have an authorized purchase order or letter stating their intent to purchase goods from your company. Have pricing and any other agreed upon terms written into your contract.

34 *Have your customer sign off on a paper proof or pre-production product proof before the order is produced.* Although this may cost slightly more money, in the long run it will save you more.

35 *Follow up with your customers after the sale.* Make sure all shipments arrived in good order and that your customer was satisfied with the product.

36 *Send out simple, 1-page customer satisfaction surveys periodically with your invoices.* Use the answers to improve your service.

37 *Ask for referrals from satisfied customers.* This is the least expensive and best way to grow your business.

38 *Send a thank-you note (preferably incorporating a promotional product) after the sale.* This employs three strategies: it shows the creative use of promotional products, keeps your company name visible and thanks your customers.

Supplier Relations

39 *Attend industry trade shows.* I can't emphasize this enough. Get to know your suppliers and their key personnel. *Ask how they can best help you sell their products.*

40 *Interview new suppliers before sending them a purchase order.* Ask for distributor references, and verify them. If possible, check the supplier rating through sources such as Advertising Specialty Institute® (ASI).

41 *Become familiar with the advantages and disadvantages of the different imprinting processes.* In the long run, this will save you time and money and position you as a professional.

42 *Submit purchase orders with detailed information, according to supplier requirements.* These requirements are usually found within the supplier catalog. Call the supplier *before* sending the order and always call any time you are not sure about something.

43 *Establish creditworthiness with the supplier before you submit your order.* Have ready a prepared credit reference sheet with at least three references and your banking information to send to new suppliers.

44 *Follow up on all orders on a regular basis.* Verify shipping addresses, shipping methods, shipping dates, and pricing information.

45 *Pay your supplier invoices on time.* This usually means within 30 days of the invoice date. If you are having a problem paying within the stated terms, discuss it with the supplier as soon as possible. This goes a long way in building goodwill with your suppliers.

Invoicing Procedures

46 *Call your supplier the day the order is scheduled to ship and ask them to fax you a copy of the invoice.* Then use this fax to invoice your customer as soon as possible.

47 *Invoice your customers promptly.* Set aside time slots in your week for doing this. Timely invoices will improve your cash flow.

48 *Make sure your company invoice is accurate and complete.* It should clearly show the terms of the sale, any early payment discounts and late payment charges. It should also accurately describe the goods purchased and the quantity shipped.

49 *Send monthly statements to remind customers about outstanding invoices.* This is a proven way to increase cash flow.

Managing Samples and Catalogs

50 *Have a system for filing catalogs.* You can use an identification system such as by ASI® number (Advertising Specialty Institute®), UPICSM (Universal Promotional Identification CodeSM) or your own system. Another alternative is to use categories (computer accessories, wearables, etc.). You may wish to use multiple systems to cross-reference your catalogs.

51 *Keep all catalogs in a central location stored in filing cabinets or on shelves.* The important point is that you can easily find what you need.

52 *Have a separate, easily accessible place for catalogs from your preferred suppliers.* These are the suppliers you do the most business with and who have proven track records. Mark these catalogs with a special sticker so they do not get filed with the rest of the catalogs.

53 *File “special offer” fliers with the main catalog, or in a separate binder filed by an identification system or category.* Make a note of the specials and their expiration dates in a separate book or on your computer. Every quarter, purge your files to get rid of specials that have expired.

54 *Send special offer fliers to customers as a way to stay in contact with them and keep your company name visible.* Your customers will appreciate your thinking of them and you may just get a sale.

55 *Get rid of last year’s catalog as soon as you receive a new one.* We regularly discard dated catalogs into our recycling bin.

56 *Investigate obtaining more expensive samples through memo billing.* This means you may return the sample (usually within 30 days) to the supplier as long as it is returned in the same condition in which it was received. You will be responsible for paying all shipping costs.

57 *Store smaller samples in bins or shoe boxes.* Make sure these samples are marked in some way to identify their source. Identify the bins by identification number or category. The “dollar stores” are a great source for inexpensive bins.

58 *Store larger samples on shelves or hang them on a pegboard.* Label them inside to easily identify their source.

59 *Send samples regularly to customers.* This is a great way to stay in contact, minimize clutter and possibly make a sale.

60 *Take advantage of spec sample offers from your suppliers.* Your customers will appreciate seeing their logo on a promotional product. Spec samples result in sales.

61 *Make use of distributor self-promotion offers from your suppliers.* Show that you believe in what you sell. Frequently, offers are at a reduced cost, or free to qualified distributors.

62 *Donate no longer useful samples at year’s end to a local charity.* Check with your tax advisor about how this option can be used as a tax deduction.

63 *Sell no longer useful samples at an on-line auction or host a garage sale.* This can be a profitable alternative to donating samples.

Technology

64 *Understand and embrace the latest advances in technology.* We are living in the midst of a technological revolution. If you’re not tech savvy, you will be left behind. Regularly read publications that cover technological advances.

65 *Brush up on your tech skills.* Learn new software programs by taking advantage of the many inexpensive classes now available from community organizations and chambers of commerce.

66 *Ask for a demo of any software you are considering purchasing.* Also, if you are purchasing industry-specific software, ask for a list of names of people in your industry who are currently using the product. They will often be your most reliable source of information.

67 *Investigate leasing options for computers, copy machines, and other large equipment purchases.* Since advances in technology are so rapid, this may be a better way to stay current. Be mindful of hidden costs and long-term contracts. Always read the fine print.

68 *Save money by hiring a tech savvy college or high school student on a part-time basis.* Technological glitches are bound to happen; be prepared.

69 *Use a reliable Internet Service Provider (ISP).* Look into small, local companies that may offer ease of access and a better rate. Many ISPs will give you a one-month trial period at no charge.

70 *Use an ISP that allows you to access your e-mail account from anywhere around the world.* These are called *universal e-mail accounts* and are great for business people who travel.

71 *Use the Internet to find valuable information about your customers.* This is an easy way to be better prepared before a sales call.

72 *Investigate having your own Web site.* There are many options to explore, from using industry providers to doing it on your own. Ask for references from any source that you are considering using.

73 *Understand your customers' needs and target your Web site to them.* Give your customers a reason to come back, such as contests, trivia questions or daily tips.

74 *Search the Internet on a regular basis looking for resources to improve your business' bottom line.* For example, I recently found a better rate on credit card charges from a quick Internet search.

75 *Back up your computer on a regular basis.* This is really important, as data that is lost may not be retrievable. Experts recommend storing your backup disks in a separate location away from your office.

Be Prepared

76 *Have access to working capital, such as a credit line.* Be proactive, and set up a line of credit before you need it.

77 *Be wary of using your credit cards for a line of credit.* Although these loans are easier to secure than those made through traditional means, very often the interest rate you will pay is far higher than what is charged by a bank or other financial institution.

78 *Get in touch with your local branch of the Small Business Administration for help in securing a business loan.* The SBA will not loan you the money but rather will work through banks and other institutions to guarantee your loan. Information can be found at www.sba.gov or call the Federal Government Information Center toll-free number (800) 688-9889.

79 *Check your credit history and clear up any problems.* Most credit checking bureaus will give you one report at no charge.

80 *Make sure bookkeeping and record-keeping systems are in order for preparation of accurate financial statements and tax returns.* This will save time and money.

81 *Review financial reports and business operations regularly.* Important reports are accounts receivable and accounts payable as well as profit and loss statements and records of cash in your business account.

82 *Be aware of your gross profit percentage.* This may be a better measurement of business strength than the gross volume of sales.

83 *Maintain an emergency fund of three to six months' current operating expenses.* You never know what unexpected setbacks may occur.

Profit Boosters

84 *Keep accurate records of income and expenses.* Good recordkeeping systems will help increase cash flow and will help you find areas where you can save money.

85 *Take advantage of early payment discounts.* Check your suppliers' invoices for payment terms such as "2/10 net 30." This means that if you pay within 10 days there is a 2% discount.

86 *Find out if your business qualifies for an interest-bearing checking account.* Some financial institutions will give money market rates on a business account if minimum balances are maintained.

87 *Look for special discounts for business owners from service providers like long distance phone carriers and overnight shippers.* The best rates may be offered by joining with a group such as your trade association.

88 *Save on insurance costs by joining with a group.* Check with organizations that you belong to like trade associations and your local chamber of commerce.

89 *Keep track of the flow of cash in and out of your business and know your cash position at all times.* Remember, cash flow is the lifeblood of a small business.

90 *Collect for your product or service at the time of the sale whenever possible.* This will go a long way toward increasing your yearly revenue.

91 *Ask for a deposit that will cover your costs when you cannot collect at the time of the sale.* This is your next best alternative to payment up front.

92 *Offer your customers early payment discounts, such as a 1% discount if they pay within 10 days.* This should encourage prompt payment of your invoice.

93 *Assess a finance charge for payments received after the terms of the sale.* Normal finance charges are 1.5% per month after 30 days. These terms should be clearly stated on your invoice.

94 *Investigate accepting credit cards, which are beneficial to cash flow.* Fees can be competitive, so check with more than one source. Credit card payments can be processed through your office computer.

95 *Call overdue accounts promptly.* Send monthly statements. Maintain a good relationship with the people responsible for paying invoices at each of your customer's offices.

96 *Let your customers know your business terms at the time of the sale.* Make sure they are clearly stated on the sales contract or invoice.

97 *Send a complimentary letter along with a small promotional product to customers with prompt paying habits.* People appreciate being recognized.

Tax Strategies

98 *Be aware of your tax responsibilities.* Common taxes to make note of are payroll, sales and estimated taxes. Consult your tax advisor.

99 *Contribute to your retirement plan annually.* There are many tax savings advantages to qualified retirement plans. Consult a qualified professional for your best option.

100 *Keep track of the miles you drive for business purposes.* Deductions are based on the ratio of business miles driven to total miles. Take an odometer reading on the first and last day of the year (January 1 and December 31). Note business miles in a log or appointment book.

101 *Deduct the cost of education and training if it improves the skills that you use in your current trade or business.* This is a great way to increase knowledge and save money.

102 *Be familiar with the home office deduction rules.* See the back of this booklet for a further explanation. When in doubt, consult with a qualified tax professional.

103 *File and pay taxes on time.* Penalties and interest costs are high; this can be a real profit drain.

Promoting Your Business

104 *Volunteer to speak about what you do at a local organization, church or synagogue.* Join a group such as Toastmasters to brush up on your public speaking skills.

105 *Teach a class that relates to your business at a local adult school.* Show the value of promotional products by explaining their cost-effectiveness and high visibility. Provide case histories.

106 *Attend local business networking events.* Think, “win-win.” Look for ways to exchange business ideas that will be mutually beneficial.

107 *Become active in your local community organizations.* This keeps your company name visible, while helping to improve your community.

108 *Solicit local businesses to put your business cards on the counter in their stores.* This is especially good if your business relates to their business, such as a graphic artist and a promotional products distributor.

109 *Position yourself as an expert in your field by becoming as knowledgeable as possible.* Regularly attend industry trade shows and read industry and business publications.

110 *Send out press releases to the media regularly that highlight your latest achievement or expertise in your field.* Make sure your press release is newsworthy and not just “fluff” to promote your business.

111 *Write an article that relates to your business for a trade journal or magazine.* Very often these articles will allow you to print your contact information so that potential customers may get in touch with you.

112 *Use promotional products as a way to keep your company name visible.* Many suppliers have rebate programs for distributor self-promotion.

Dealing with Isolation

113 ***Join professional organizations that relate to your business.*** This is a great way to meet other like-minded people and learn what's new in your industry.

114 ***Plan regular breaks during the day.*** Schedule meetings with customers away from your office. Interactions outside of your office will make your workday more interesting.

115 ***Join a fitness club.*** This is a great place to network and stay in shape.

116 ***Join a business lead group, or start your own group.*** Your local chamber of commerce can steer you in the right direction.

117 ***Look on the Internet for small business chat sites.*** Most trade associations will sponsor their own chat rooms.

121 ***Join your local trade association.*** This is a great way to make new friends. Most associations regularly sponsor seminars to keep you motivated.

122 ***Plan regular vacations.*** Time away from the office can leave you refreshed and motivated to get back to work.

123 ***Let your family be part of your business success.*** Family members such as your children or your spouse can help you when the going gets rough as well as celebrate your triumphs. The key thing is to communicate how they can best assist you.

124 ***Be proud of the fact that you are a home-based or small businessperson.*** People are interested in the quality of your work, not the location of your office.

125 ***Believe in yourself and your abilities.*** You are providing a valuable service and making an important contribution to your community.

Staying Motivated

118 ***Establish a relationship with someone who can act as a mentor to you.*** Look for someone who is established in your field. If you don't know of anyone, look for The Service Core of Retired Executives (SCORE) sponsored by the Small Business Administration (SBA). SCORE's volunteers provide free business counseling and seminars.

119 ***Meet regularly with other people in your industry to provide solutions to common problems.*** If a trade association doesn't currently exist, start your own.

120 ***Listen to motivational business tapes and attend business development seminars.*** Look in the business section of your newspaper or industry publications.

The Home Office Deduction

- Currently your home office will qualify as your principal place of business if (1) *it is used regularly and exclusively for administrative or management activities such as recordkeeping and invoicing*, and (2) *there is no other location where you conduct substantial administrative and management activities*.
- You must also meet the other tests of exclusive use and regular use of your home office for business purposes. Exclusive use means that you use the business part of your home only for business purposes.
- If you store samples or inventory in a different part of your home, you may include the storage area as part of the deduction.
- The home office deduction is based on the percentage of square footage used for business as a ratio of total square footage of your residence. An example would be if the total square feet of your home is 1,000 and your business use is 150, then your deduction would be 15%.

Suggested Office Equipment & Supplies

- Computer with Internet access
- Printer
- Fax machine
- Photocopier
- Scanner
- Telephone with voice mail and a speaker phone option
- Telephone headset
- File cabinets and rolling file carts.
- Storage bins or shoe boxes for smaller samples
- Pegboard for large samples
- Pre-inked stamps with your company name and address
- Magazine storage boxes for frequently used catalogs
- Spiral-bound notebook for storing messages
- Letterhead and business cards
- Order forms and invoice forms
- Folders
- Stamps or postage meter
- Postage scale
- Small items such as paper clips, tape and labels

Industry Discount Codes

<u>Code</u>	<u>Discount</u>	<u>Net Cost</u>
A or P	50%	50%
B or Q	45%	55%
C or R	40%	60%
D or S	35%	65%
E or T	30%	70%
F or U	25%	75%
G or V	20%	80%
H or W	15%	85%
X	0%	100%

If an item lists at \$5 on a “C” discount, your net cost would be \$3. In this case, you *multiply* the product cost times the net cost percentage.

$$\$5.00 \times 60\% = \$3.00$$

If you buy an item for \$3 and you want to sell it and make a 40% markup, *divide* the net cost of the item by 60% to get your selling price. You divide the item by the difference between your markup (40%) and the number 100.

$$100\% - 40\% = 60\%$$

$$\$3.00 / 60\% = \$5.00$$