

BUSINESS MADE EASY[!]

A man with short, light-colored hair, wearing a blue and white checkered button-down shirt, is smiling broadly. He is splashing in water, with white foam and droplets around him. The background is a light, textured grey.

Episode 86

Ask Jason: How To Have A Healthy Cashflow In Business

Full Episode Transcription

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Jason: Good day, good day and welcome to the Business Made Easy Podcast where we make business easy. Jason Skinner your host here for another week of the podcast that is all about growing your business, growing your business bottom line profit, and giving you a better life as a result.

Thank you so much for joining me today. I am glad you are here with me and I do appreciate you tuning in each week as you do. Don't forget to hit that subscribe button if you haven't done so already. If you're new to the show, welcome. And uh, don't forget also you can listen to us now on Spotify, which is a great place to pick up the podcast, uh fantastic platform over there at Spotify and they're doing some fantastic things for podcasting... podcasting in general. So uh, yeah check that out over at Spotify and putting businessmadeeasypodcast.com and we should come up.

Alrighty. We have a great episode today. But before I get into it, uh I do want to just mention that if you are interested in our seven ways to grow your business uh webinar... free webinar that's coming up next month. Don't forget to jump over to the website at businessmadeeasypodcast.com and put your details in there and to sign up under the normal newsletter area and I will be sure to send out the information on how you can sign up for it as well. So just do that over at businessmadeeasypodcast.com

Okay, today's question and we have a guest today on the show. It's actual interview show today. I've been doing a lot of solo shows. But today's an actual interview show, with a very special member of our Business Made Easy community, Phil Lichtenberger. And Phil asked a question, a very pertinent question over in the Facebook... free Facebook group. And it was such a great question I thought many of you could benefit from listening to the answers

around this. So that's why I decided to have Phil on the show, and he could ask his questions and get them answered and you could benefit hopefully from the answers as well. Phil runs a business called East Coast Pagers and it's a paging business. And what a pager is? Which I learned a lot about today as well is a... it's like a radio device like a walkie talkie radio device. And they used a lot with the emergency services and within large organizations and moms and dads would use them as well I guess in terms of in-home... home domestic style arrangement, but basically are a paging system and you can basically call each other on these on these pages. And Phil does an amazing job, he programs them for you. He sets them all up, make sure you've got all the accessories that you need. It really is a fantastic business. And you can check it out if you're interested, over at eastcoastpaggers.com. So that's east e-a-s-tcoastpaggers.com and uhm, and yeah check that out that Phil has got some great stuff going on over there.

Phil is also a podcaster in his own right. He has a podcast called Scanner School for scanning radio, I says so it's basically scanner school scannerschool.com. You check that out there as well. He's doing great, great things over there in the radio space and communication space as well. So you can check that out here. Alrighty, so let's get into Phil's question. As I said, he did join our free Facebook group by going to businessmadeeasy podcast.com/community. And uhm here's Phil. Now I'm going to hand over to the interview uh with Phil. Talk to you soon.

Jason: Hello, everybody. And welcome to the show today I am grateful to have on our show, as our guest Phil Lichtenberger all the way from the USA. How are you Phil?

Phil: I'm doing good and the pleasure is all on this side of the microphone. Let me tell you. I'm a big fan of your show. And uh I'm very happy to be here. So thanks for having me.

Jason: I thank you mate and we've been talking about having you on the show for some time and uhm it was only that you uh... you asked a pertinent question the other day that I thought the other listeners would be able to benefit from as well. So I thought what a great opportunity to... to get you on and have a chat. Do you want to just tell us about your business Phil, what you do and uh and basically you... uh how you spend your day?

Phil: Sure do you want the long story and how I got accidentally got in this business or do you want just a short and slick?

Jason: Uh give us... we got time, give us the long story, give us the...

Phil: The long story? Alright. So...

Jason: That's not a [inaudible]. that's not a...

Phil: No no no... so, I'm going back a couple of years. So I actually I started a hobby site back in 2005. And uh it was my amateur call-sign for ham radio is W2LIE you know nice custom, it basically that the call signs of vanity call sign and it's for long now and long our expressway, is how I got the call and why I like it. But I started a website based on the scanner radio hobby, and I was putting on the radio, is on the internet and people could listen to them. So Before became popular for somebody to do that, so kind of really set my site apart. And uhm, that led into people realizing what I had and the services I offered. And then

they were asking me to program their radios for them so now listen, I had nice little side business programming people's radios. And uh it was-- it was good you know good pocket money it paid for some dinners and and you know, little toys I want here in there. And I started noticing I was losing business because people wanted-- they needed new radios because it was a change out and in this county that was next to me. And then a new hardware and they'd call me up and you say, "Oh, you know do you-- can you program this." I said, "No, no, I need new piece of radio." And I would never hear from them again. So I knew I was losing business. So I said, "Oh, I got started selling their hardware now." You know, the radios 2010-ish. So five years at this point, I incorporated, I opened up an es-corp. I got my own online company, I call it Monitor Long Island. Which is where I'm from, and I started selling radios, and then programming. And that became a problem because now I started keeping inventory. So I started to really find out the struggles of keeping stock, selling stock, collecting tax.

Jason: Correct.

Phil: Keeping bookkeeping, right? This hobby now became a full-time business or a part-time business. I've been doing this after my nine to five, this is all like free time stuff, which is-- now I don't have any more free time. And uhm, I made some mistakes. I was keeping, you know, I thought it'd be smart to buy the latest and greatest radios. I went to \$10,000 on credit card just to buy the equipment, I thought I could flip in about a month. And that was a mistake I paid for for a long time. Didn't sell my stock as quickly as I thought I would sell them. During this whole process too, somebody recommended a company to me that I should start looking at their product because they kind of fit into the scanner radio market. And it was Fire Pagers, and I applied to become a dealer, and that now became a secondary source of income for me. So I've got my hobby site, I have

paying members on there. So I have month over month, people who are paying me for on a subscription method on that one, that's pretty cool. Make a couple of hundred bucks a year on that one. I've got my programming services. Uh, now that keeping inventory and selling hardware has now become an affiliate channel for me. So I've kind of migrated away from that, learned that lesson. But now I'm into paging and I'm keeping inventory again. Because, they are all accessories, uhm and I spun it off into a DBA or Doing Business As, and separate the paging from the rest of my company because really all my money and my time is spent on this paging business. And I didn't want to be, you know funnelled into just a long own company.

So that leads to now, I guess it was two years ago. Yeah, at this point two years ago, I DBAed, hired another accountant, got on the QuickBooks, got out, got off a cell-- got off of Excel. Now I have a real-time inventory. So now this is like really feeling like it's become a side hobby, side hustle. Now to a part-time job basically. And you know cash flow is really becoming for me an issue. My-- the bigger products I sell or the one-offs, like the main equipment comes in multiple frequencies splits, multiple colours, uhm I buy those as yours come in. So I'm not laying out really you know I don't-- I don't have inventory that but the accessories, the chargers-

Jason: So just in time-- just and time, by the way, you basically...

Phil: Exactly.

Jason: Yep.

Phil: Yeah and you know I get orders coming in and it's like okay, you guys know it's gonna be about a week before I get inventory on this stuff. And they're always usually okay with that one but you know, the like the bags, extra antennas, the batteries, those kinds of things, I do keep inventory I keep a couple of thousand dollars in inventory, but I cycle through it more recently, that it's not really too much of a problem. Except lately where I lost track of inventory, I ordered too many of one thing again, and now I'm like, "Great. I only sell like two of these a year and I have six of them."

[laughter]

Phil: So I'm good for next-- I'm good for the next three years and those, but I wrote to you, basically because of, cash flow issues, where I sell to a lot of fire districts. And the fire districts operate on purchase orders. And I know you talk about, why am I gonna let somebody else borrow my money and why operate on purchase orders?

Jason: That's right.

Phil: I know you said that lots of times and that was really-- I listened to that episode. And I said, Yeah, I gotta write Jason about this one, because he's talking about this issue, and I'm having this exact issue and maybe we can take it, you know, one step further. My pain point really is, I'll talk to a member of the fire district, he'll get authorization from the board, or from the treasurer, I'll get the PO. Sometimes it's just a verbal thing that they work off of. And, you know they'll accept the order, but then the treasurer is like another department or another entity and I'm like, "Dude, I haven't gotten paid yet." And it was all I talked to the treasurer and it finally was taken so long to check. So normally my

POs are 30 days, and they usually go into 60. And at that point I owe my vendor because my PO time starts with them, the minute the order is placed, or the minute the order is shipped, rather So...

Jason: Yeah.

Phil: There's a little window where I owe the vendor, and my customers still owe me. I'm paying out of pocket. And I have one example right now, which is a real you-- I'm gonna watch you flinch on this one. It's a 30-day thing. Their invoice was due January 31st. So as we're recording this one, it's April 9, or April 10 where you live. It's April 9, or I am and uhm so they're 69 days now past due.

Jason: Wow.

Phil: When I delivered the equipment to them. We were in that 30 day window, and I got a letter in the mail the day I made delivery, "Our Treasurer decided to leave. We have to hire somebody new, it's going to be another 60 days before you get paid." So now I'm thinking, I got now three months that I am now fronting these-- you know this company's money.

Jason: Yeah.

Phil: And I'm waiting to get paid. Now it's not like it's a \$10,000 payment here. But it's enough where-- [cross-talk]

Jason: [inaudible]

Phil: It-- Yeah. So it's like, you know I'm constantly cycling who I'm paying back because now I've got this other-- this other thing. So uhm most of my-- most of my big expenses-- my big sale, so the fire districts where it comes at 5, 10, 20, 30 units. Those are on PO. If I'm selling to an individual like if you want to play some more with me directly, and you want one unit, I take your credit card and charge it instantly so that I have the money to pay.

Jason: Sure, Yep.

Phil: You know so I run that risk, where I'm not, you know I'm not shipping anything out. I did have one instance where I had one individual who was, "Yeah, don't worry, we're going to pay you. We will get the money from the treasurer." And I had to hunt him down for like three months and every phone line was disconnected. I finally went to the office of Emergency Management for his County. And I said, "You gotta go this fire district and you gotta, you know, I need help here, you know, he's not paying me." It's only over \$350. But I worked for that money. You know, I work my...

Jason: That's it. That's it.

Phil: I work for my small margin there.

Jason: That's it.

Phil: Uhm so, so again, yeah so, I don't know what advice you have for somebody like me that..

Jason: Sure.

Phil: You know, people want to pay you on PO. But how can I minimize uhm, having to do that? Or How can I? I don't wanna say penalize it, but make them want to pay me faster? Do I-- can I say like, at the 45 days, uhm you know, I'm gonna charge you 10% or you know, what do you, I mean, I know you're against POs, to begin with, but I'm kind of locked into this world.

Jason: So let's step back-- let's just go back a little bit. So when you say PO just for those who don't know what a PO is, it's basically, we're talking about a purchase order there aren't you, so...

Phil: Yes, we are.

Jason: So if we talk about your customer for a moment, are these customers government organizations, or are they charity? Like I mean, in Australia here we have-- so for fire departments and things like that we have sort of like our-- our normal Fire Department, which is run by the state or the city, and then we have sort of what we call rural fire brigades, which are more sort of community-based fire departments, which are run by the community themselves. Okay. And they would have their own committee that runs the charity work around that and do the treasurer-- the treasurer would be located within that-- that subcommittee. Is that-- is that the sort of customer we're talking about here? Are we talking about government department? Are they talking about are they the city based?

Phil: All three. So I've sold to FDNY which is the Fire Department of New York. So that's what would be city based. I've sold to county, local counties directly and I've also sold to you know, the volunteer fire departments which would be the districts or the community organizer thing where they have their own.

And it's even got more granular than that. So I'll have a town where they have maybe three or four firehouses in the town. But each one has its own like organization within the fire district. So I'll sell it to like company one, and then I'll get a call from company two, "Oh Yeah, we want to order the same thing company one just ordered." So duplicate the order and send it to me. So they got their own. They all got their own processes. So yeah, it's-- it's a mix.

Jason: Yeah. So you dealing with multiple, you dealing with multiple different systems here and then you've got different levels of-- the person doing the ordering is not the person actually doing the paying and writing.

Phil: Correct.

Jason: Writing the checks. So let's just go back do you have purchase terms when, when uhm, when a customer comes to your door, so let's say I'm the head of my fire department, and I come to you With a purchase order, and say, "Look, Phil, I've heard your fire radios, the pagers are the best, best out there, we want to order, you know, 20 in this color with these accessories." What-- take us through the process there, what happens?

Phil: So I would email the customer invoice and in the invoice there are terms. it says 30-day terms. It says really-- and I have, you know, the disclosure, like, you know no returns accepted and I want to talk to you about that too. I wanna talk about that for a little bit. And then just you know what the warranty process is handled by the company and that, you know, I'll handle the programming, but anything additional will come at my hourly rate. Uhm, usually I'll say shipping is included, type of things just to try-- try and push the sale that kind of thing. Uhm, so that's all in there, but there's nothing written in there. Like, you know, if you

don't pay within 30 days, I'm gonna come knock on your door, you know, or uhm you know something like that. So uhm, it's just basically, you know prompt payment is appreciated. When I send the email out with the invoice I say, "I accept, you know, ACH, or eCheque, credit card, Apple Pay, or if you're gonna pay via purchase order, make your check payable to, you know this company name, this address." You know, in that kind of thing. So...

Jason: So do most of these companies pay by check or under PO?

Phil: Yeah, most of them will pay by check if it's an individual though it's usually done via into its internal credit card payment system. I do run a Woo Commerce website. So I get payment-- That one's channel via PayPal. And if it's done through my eBay store, then I also PayPal that way as well. So but the Woo Commerce, my.com basically and eBay is mostly is just accessories and uhm...

Jason: Yeah. And they don't really the problem though. Are they, they're... they just happen you know...

Phil: No, 'cause they pay up front. It's great, you know, that's perfect.

Jason: So they're subsidizing-- they're subsidizing these...

Phil: Yes, basically, that's what's happening. Yeah. Rob Peter to PayPal.

Jason: That's it, that's it. That's just where the money lands.

Phil: Yeah.

Jason: So I guess for what you're telling me there, there seems to be a bit of a disconnect between the person actually making the order. And then there's this person-- this fictitious person in the background that could be anybody because the roles change, etc. Down the track that you don't have a relationship with really at all, because they don't understand your-- I mean your invoices really being lost in a pile of invoices somewhere, isn't it?

Phil: Yeah, it depends too. Because some of the departments, they're really good. Like, if they have a treasure office, I'll get a copy of the actual PO. That I know, okay, a paper trail has been started. And when I when I mail a thing in and they get the invoice. They send the invoice, when they accept delivery, they go right to the treasurer, and they sign off on it and the story, and I'll typically get a check from those types of departments within two weeks. But some of them are just, you know it's like, "Oh, yeah, we got your stuff in here. Let me go over the treasurer and tell him that it's in, or let me go remind the treasure, or let me go see fees in there again." I've had, like some departments where my check has been sitting in the treasurer's mailbox, just waiting to get signed off on, with the cheese mailbox way to get signed off on. Like the checks been written out. They need that second signature before it goes in the mail. And it just sits there and sits there, and sits there, and sits there.

Jason: It's crazy.

Phil: So yeah, it is and at that you know--

Jason: So you don't order before you've got the purchase order, is that right?

Phil: Uh, well, it again, it depends. Some departments will give me a purchase order. Some aren't a verbal, but it isn't until I get-- we have the approval to place the order they actually place the order. So if you were to come to me today and say, "I'm interested in buying these pagers, how much is it going to be?" I get the estimate, give you the estimate? Yes, make it signed off on, it gets approved and then you give me the approval, "All right, Phil, we're ready to make the purchase. We want to go with what you have on the estimate", and say, "Okay, here's your invoice. I'm placing the order now with the company."

You know direct with-- with the manufacturer. So you know it's, the time window really starts at the exact same time for the customer and for me, but I'm always seem to be waiting to get paid.

Jason: I'm just wondering, I'm just-- say when that-- when that purchase order get through it say that purchase order has to be raised and approved by somebody?

Phil: Mm-hmm.

Jason: Okay, but you're ordering before that you receive that purchase order in cases?

Phil: No. It-- well, in cases there is no purchase order, it's just a verbal. So it depends on the different districts, some districts will do a hard purchase order. Some are a little bit more informal than that. And they say we don't do PO, we just pay you by check when when the bill comes in. And those are the ones that always seem to be the hardest ones to chase down.

Jason: And that's the problem, because they're not-- uh, in that instance say uhm I know in a lot of local governments and things like that, but they will-- they basically you've got to have the purchase order before you can place the order. So you need to have that in your hand, because that purchase order then is in their system.

Phil: Right.

Jason: It goes through the thing, whereas if you don't have the purchase order and they-- and you order on a verbal, you haven't got that, that-- that's not the solution but I think that's one-- one part of the-- one part of the solution.

Phil: Right, the promise to those those departments don't do POs that's-- that's the problem and that's why I always have to scratch my head, and how do you keep track of like who you owe. You know, you just like throw all your receipts on the treasurer's, you know inbox and just, you know wait from them come in on a Thursday and for an hour and just start writing checks.

Jason: Is it possible to request the deposit up front?

Phil: You know, I don't think there's departments even do that. I don't think they-- they function like, you know that way. So uhm, you know I...

Jason: But you do.

Phil: Yeah, yeah, I know. I know. I might say we don't do it and then I lose the sale. You know what I mean? So...

Jason: Yeah. Is there much competition for the product? Is there a lot of choices out there for?

Phil: There's a big manufacturer, there's-- there's the big-- the big one uhm that everybody gravitates towards. The products I'm running is in direct competition with the big-- with the big dog, and uhh you know, they're the kind of getting away from the big dog because they cost too much, and they found that their product isn't as superior as it used to be. So they're kind of going out on the limb a little bit and trying something new. So that's also why I try and make things a bit easier to get the orders in because, you know, these-- these products that they're not familiar with. They're-- they're just as good if not better than what they're used to. But you have that old-- that old dog, new trick kind of-- you know, it's like, "This is the way it's been, this is the way it's always going to be this is the product we're going to buy." And and you know, "New bad, old good." So getting him into my product is a little bit difficult. And I do carry three manufacturers too you know, to try and compete with just that one. But you know, this is that other companies country out here. So...

Jason: Yeah. Say I'm wondering if-- there's a couple of things here that I'm thinking, uhm firstly the uhm clarity around-- firstly, clarity around the expectation up front of the sale is paramount. Uhm it's-- it's-- and it's like you say, you're keen to make the sale so you don't want to rock the boat with the payment terms. It's kind of like that scary number at the end of the transaction. We don't want to talk about that. We just want to get the sale across the line. The problem is the more of those sales you get across the line the more you're funding them and you're not a bank.

Phil: Yeah.

Jason: And margins are tied in the sale, you know, so you need to-- you need to keep that cash flow ticking along as you know, that's why we're having this discussion. And so, my question is; Is it possible with these guys up front to offer. A some sort of incentive to pay a discount or pay a deposit up front? Uh, so structure your deal in a way and communicate it in a way that, "Hey, uh X, Y and Z, we can do that. Uhm, we'll need a 10% deposit, 20% deposit to keep this going." Why I'm keen on the deposit idea, I think you're probably going to struggle to get up full up front payment but if you can get a deposit it at least get your invoice in the system. And it's in their accounting system. But at the moment, it sounds like your invoices just sitting on someone's desk some way. It hasn't even made into that process.

Phil: Right

Jason: Is that...

Phil: Even, even if I do get-- yeah, even if I do get it up, you know, a PO sometimes it will take, you know again, it's not always a quick-- quick turnaround. So I think I was thing that deposits like, you know, as something new to but again, I don't know, you know I don't wanna-- I understand what your saying, you know, I'm not the bank, I really should get out of my comfort zone and uhm and start requesting especially for the bigger purchases, you know when they get to a certain monetary value, it's just like, you know, you want to order you know five of these, ten of these and I'm gonna need 5%, 10%, maybe something like that to uh, to get the ball rolling on this...

Jason: I think I've always found clarity around, clarity at the start of the conversation uhm, really is-- is-- is really important. Uhm, clarity around your expectations as well as their expectations, and around payment and how that's gonna work, is really important. The more you can get up front, obviously, the better I now understand dealing with large organizations and purchase orders and things like that. it's virtually impossible to do. But I mean, I've heard all sorts of stories, I mean, we have the maybe with the big mining companies and things like that, if you-- if your invoice isn't structured exactly this exact same way that we request, will send it back, and we only pay every fortnight and so you wait another month if you got your invoice wrong. All this sort of thing uhm you really need to structure your business around dealing with that, A make sure your paperwork stay right in accordance with that, if you're going into that space, but you have to have clear payment expectations as to what you're going to accept and what you're not going to accept. And I think, to me, I'd be asking for a deposit up front and saying-- and maybe offering some incentive around uh that. Because once they've got the radio, once they've got the products, and once they're using the pagers and they're using them, the guy that-- they're out there using them, they don't care about Phil anymore. They don't care whether Phil has been paid. That's not even they worry. That's not even their department. So maybe around those expectations, it could be that who-- you get all the content at the start of the conversation you get, who is the treasurer? What are the payment, what are the payment cycles? What are their contact details?

Phil: Right

Jason: Uhm, who do I need to speak to? Uhm, because you may not be able to get a deposit but you can at least collect that information. And so you've got an easier road into that department to...

Phil: Right.

Jason: To hammer them.

Phil: Yeah, I mean we-- it have point too, it'd be good to get to the contact of the treasurer so I can email the invoice directly to them as well. So this way I know it's not going through...

Jason: Straight through, yup.

Phil: The whole thing. Yup, straight through.

Jason: And where are invoices going out to.

Phil: So I know you said...you know, I'm stuck to floor pricing too. So I normally, you know, I can't really discount, you know if somebody would pay early or do a deposit. But if say...

Jason: [inaudible cross-talk]

Phil: Right. So I do that as well I give them, you know, usually if it's shipping, I throw that in or if it's uhm I throw extra batteries, extra bell clips, because bell clips are usually the failure point. So I add those as value points. Uh, in programming services I add that has value points as well. This way they're not

wasting their time trying to learn how to new-- use the new radios and a new pagers that it's a turnkey solution for them. They can take the other box turn it on, and they can just issue the pagers out just there's no worries about you know, getting things off the ground. Uhm, but...

Jason: That's a valuable service in itself. I mean the larger companies aren't doing that.

Phil: Right, right. That's what I'm hoping.

Jason: So...

Phil: Uhm but it's like if they decide, you know if they go a certain day over terms, 45 days, 60 days, can I start running, you know, penalties on there? 10% of the balance will be, you know your penalty if it's not paid within 60, you know, 30 days or...

Jason: Yeah.

Phil: I mean is that-- I mean, is that legal? I mean I'm one in the states here, or is this something that companies do? Is that something that's-- that can be done?

Jason: Absolutely you can, uhm you need to be clear and in the payment arrangement. I would have an agreement. I would uhm have before the invoice comes up, before we get to that point, in that negotiation stage and in that sales stage, that's the point where I would be sitting-- because there must be a point in the sales stage where you talk about price.

Phil: Yeah, of course. Yeah doing the estimate. Yup.

Jason: Yeah. That's it. So, you sitting down you're having a having a chat I would structured in a way that was an intent-- A an intent clear about what it is you expect? What your what your payment terms are?

Phil: Okay.

Jason: And there is a penalty for going over this many days.

Phil: Okay.

Jason: Uhm you could absolutely structure that in there. I find though when you're penalizing a customer. I always find that a negative as opposed to taking away value. So, it's a little bit like you know and I don't know if I haven't done much in the States, but you gotta use your credit card. I was at the Hilton the other day paying for some parking, and they asked me for uhm my credit card. I'm sorry, they asked me to pay for the park-- How do you want to pay for the parking? And said it was \$50, hand out my credit card. And said, "I just want to pay with Visa.", and they go, "Oh, there's a 3% charge for paying with a credit card." Well, why are you penalizing me for paying? You're penalizing-- I'm the customer.

Phil: Right.

Jason: Uhm they keep-- [inaudible cross-talk]

Phil: They're just passing, they're passing that charge on to you though, that's what they're doing I mean.

Jason: Just make the parking 55, so you would have made \$53 out of me now because you've charged me a penalty and you've left me with that negative feeling. Why don't make the parking \$55. I'm not going to know any different or not going to care. And I've had a happy experience. And you're \$2 in front. So what I'm getting at here is that maybe you could-- with your value-- with the value packaging, maybe you could say, at the front you know, "This is what it's going to cost to do the radios, ba, ba, ba. If you pay a 10% deposit up front, I'll also throw in X, Y and Z for you absolutely free." And what you're doing that anyway, but you just probably not...

Phil: Yeah.

Jason: Not adding value-- attaching value to it. All of a sudden, now there's a value attached to what it is you're doing. Yet, it's the same transaction. It's just split out a different way.

Phil: Right, right.

Jason: So and I think-- because we're-- that early you can get your invoice into their computer and billing system, the quicker you're not going to get forgotten. I think what's happening is you're getting lost and forgotten in their paperwork trail and...

Phil: Right.

Jason: And I think if the [inaudible]-- the person making the purchase order is desperate to get those pagers in and wants to use them and can't wait to use them, because you've sold them such a great value, then they're going to be chasing the treasurer for you to get the money.

Phil: Right. You know, I think too, as you said adding value, 'cause I already give out you know, bell clips and batteries. And to me that's-- it's not a lot of money in those accessories I'm-- that I'm paying for. So uhm, I don't want to actually see the actual value here, but it's...

Jason: That's a good...

Phil: It's really not a lot of money.

Jason: Yeah.

Phil: And I'm wondering too, if they make payment within the first 30 days or they make payments in terms, then maybe I'll mail them an extra set of batteries and clips, so we'll have double the amount. So they have a set for now, a set for six months from now and a set for a year from now. Or if somebody happens to go through bell clips like crazy, then they have it, they have an extra set there. So maybe that would be a way of incentivizing them to do that.

Jason: Yeah. As long as there's enough value attributed to that. So...

Phil: Yeah.

Jason: I'm just thinking of someone where it's not their money per se for a mom and dad type person that was buying your product that will be a wow. Yeah, that's, great value because that's going to be that's going to be coming out of my pocket. What we have to be careful of is that, they're not the one writing the bill really they are the one just placing the order.

Phil: Right.

Jason: So, probably they're not going to care too much about, you just gotta wonder when, you know, I'm not saying they're not going to they may, but you've got a way up, is that going to be enough punch for them to actually take action. Whereas I think if you can get that person doing the purchase order to do your communication with the treasurer for you, before you place the order and adjust your system some way that-- that happens-- that mechanism happens. And then he comes back and says he or she comes back and says, "Hey, Phil, oh good the treasurer got that thing going to make you the initial deposit." And you can go, "Well, great. We'll all have those to you in the next days, once that-- once that money has received. And, and I'll send you the bonus stuff that we're going to give you as a result of you doing that." Maybe I'm just just sort of seeing if that would be something you could mesh into the...

Phil: Yeah, I think I think you're right though. I think that given the bonuses, instead of the penalty, you know, I mean I always think that, you know, penalizing somebody motivates them to to make payment. But, you know, not everybody's always good on credit, either penalties, you know, 19% of the credit card companies, 26% whatever it is, isn't doesn't make them pay the payments either. So...

Jason: No. And the thing is too, when you get into penalties, it's like I'm-- it's like the-- it's like a discipline, the naughty child all the time. And the moment you don't charge that fee, they go, "Phil's not going to charge that. I don't care if Phil's not gonna-- Phil never does that anyway."

Phil: Yeah, yeah.

Jason: And then you've got the burden. You've got the problem further, that you've got to remember to charge that.

Phil: Mm-hmm.

Jason: So like, you're giving yourself a job.

Phil: Right. I'm thinking too like, you know, the cases that they have a pretty nice and it's got like a 20 dollar value, depending on the 20 to 23 dollar value. I can always give that to the guy who plays with me, "Hey, you know if your treasurer makes that purchase payment, you know within the 30 days, I'll send it to you", or something like that, this way that one guy who I'm dealing with directly, he's now incentivized to go out there and he wants his case or he wants you know, something different or whatever. So...

Jason: You need that you need that person making the purchase order knocking on the treasurer's door for you.

Phil: Yes.

Jason: And also you need the per-- the treasurer's contact details. You need to know who to pick up the phone to, and chase when that payments not within the terms.

Phil: Right. I call it customer convert kit up so that it automatically sends it out, you know, I'll put it-- I'll put them in an automatic mailer right, "Hey, by the way, you have seven days left on your purchase order before it's overdue." You want that-- you want that-- that you know...

Jason: What accounting system are you using Phil?

Phil: QuickBooks Online.

Jason: QuickBooks Online. So you enter the invoice into-- you raise the invoice in QuickBooks Online?

Phil: Correct. Yep.

Jason: And you-- does it have a payment gateway attached to it? Like does it have a little pay now button?

Phil: It does.

Jason: Yeah, good. So that's good.

Phil: Yes. Yeah, it does in and I can do from the online payment I can do ACH, or eCheque transfer, Apple Pay, credit card. And yeah that's it. They don't they

don't do PayPal anymore. So yeah, it's the major, the major ones have gotten payment.

Jason: Yep. So that email, that email goes out to the treasurer. That's going to go into their system, they're going to enter that in and obviously when it goes in the then they've got their billing cycle, that they address the creditors, that were people that they made money and then that goes for payment process etc, etc. So uhm I think if we can work on that front end, where the-- where you're in that negotiation stages where the value is really like-- here's the thing. This is going to sound totally crass. So I apologize. I'm apologizing...

Phil: It is okay. I'm here for honesty you know.

Jason: It's the only way I know-- it's the only way I know to explain this, this, this theory that I'm talking about that it's the exact reason that a prostitute asked for the money up front.

Phil: [laughs]

Jason: Because that is where the value is.

Phil: Right.

Jason: That's where the value is in the transaction, because the customer has a need at that point. The need is greatest at the time before the service is performed.

Phil: Mm-hmm.

Jason: Again, I'm sorry if that's crass to any listeners.

Phil: No, no. That's-- that's fine.

[laughter]

Jason: A G-rated show, but if you think about that...that's why they ask it. Because the moment that that that service has been performed, the value is gone.

Phil: Right.

Jason: An induction. It's not as great, I've got the radio. I'm using the radio, I'm-- don't care. So I think if we can structure your sales process up front and get clear about your payment expectations, have a detailed document. There are-- you can put interest charges and that sorts of things in there, if, if, if you feel it's warranted, but I would try this first.

Phil: Okay.

Jason: So there's always a positive add value to the transaction and and say, "Hey look, here's this is the cost of the package X, Y and Z. This is what you're going to get for and what it means. By the way, I will need-- before placing the order I will need your treasurer's contact details and and who they are? etc." I will also-- I also will require a 20% deposit up front. And once that uh as a bonus or a value add for making that-- that deposit up front I'm going to throw in X, Y

and Z for you of this value just for you helping me for with uh making this transaction go smoothly.

Phil: Sounds good.

Jason: And I probably also say, "If the transactions outside these terms. I'll be back in contact with you as well." So so you're dealing with with that person all the time because go to the treasurer absolutely you need to hound the treasurer but the treasurer kinda doesn't have any skin in the game either because he hasn't got the radios that he or she hasn't got the radios they're not using the radios. Uhm but the you've got this guy's number and pick up the phone and say, "Hey, uhm you know how we had that discussion, when you're buying these radios and I gave you this this here da, da, da. I still haven't received payment uhm. Are you able to chase it up with the treasurer?" Uhm, maybe we will also help to keep the keep that person as your conduit into the company as your communicator within there.

Phil: Right, right.

Jason: Because the treasurer's is making them look bad now.

Phil: Yeah. If they have a treasurer, you know that one customer the treasurer left and so...

Jason: Yeah, that's hard isn't it?

Phil: Very. [laughs]

Jason: Yeah. You gonna- you gonna have that, you gonna have that but, one way, one way to measure this the success of these things Phil is- first is that helpful? What...

Phil: It is. Yeah, yeah I- again, I'm kind of questioning the deposit of Frank's, I don't know if a lot of because again, it lies upon the purchase orders just you know, promise to pay. So I don't know how they do with the purchase orders. But I can-- doesn't hurt to ask, you know if they say, "Well, we don't do that." Then I know, "Okay, well, then these these are my terms. Now then if you don't do deposit up front, and these will be the terms." So I can make sure I sit down and make sure I have uh, an answer for either way or that-- either way of that.

Jason: When they- wait if they say that we don't do that. If they say we don't do that. Okay. So you've given some skin in the game by offering this-- this-- if they pay a deposit, you'll give them this added value. If they're not going to play the game. If they come back with a no, well then you've got to go, "Well, okay", that's when you could bring out the..."Okay. Well, my terms are this...and there are additional charges."

Phil: Right. Or I could just say each unit \$10 more now or something like that, you know.

Jason: Yeah. Well, that's it. I was giving you that up that prospect based on a deposit paid up front. Absolutely.

Phil: Right. Yeah, a lot of times well, these teams go out to bid and then it's like, it's crazy that way too, because you're afraid of, you know, being underbid, that's a good thing. I'm at floor value. So I know what any of the other companies

out there, that are have this product, they can only go so low. And, you know that's just-- that's just my go to point. Like, I feel like you know, the products, you know, that that's the-- that's the lowest value. That's why I add in the extra accessories, the programming a lot of the stuff to kind of add value to, you know, an item that I know that I'm already as-- as long as I can on this way, that's this is how I'm gonna add the extra value to it. So uhm, you know if I say that, "You're not going to put a deposit on." And they say, "Well I 'll just go to the next guy then who's not gonna take the deposit." And I'm out of it for \$10, it's like-- it's always what ifs? You know, it's, it's a rough game.

Jason: Yeah. You have to-- you have to-- you have to also test it and I do think a lot of it comes down to communication up front, because at that time-- if you've got a relationship with them and you know, you you're adding value-- your value proposition is you know better than the competitors uhm you point a difference to the competitive that is. I'm sure they're not giving extra clips in all those-- those additional things. You don't have the overhead structure, the-- the larger compared to do some things like that to the pricing probably better too. But, setting that expectation upfront as to-- and and getting those contact details upfront before all that transaction takes place, I think is-- is absolutely paramount and and...

Phil: Okay. I mean it probably would be helpful too to like set a Google form and like-- and just have that all information in the form and just send it to him and say I need to this form filled out.

Jason: Yeah.

Phil: And then it will go right into his spreadsheet and then I know that this-- this department, this contact. And then I can have that just right import into Google, I mean uh, uhm, QuickBooks with the Zapier and be all done. My customer record will be in there and it'll be all-- all set. Holy cow, that's a good idea.

Jason: Yeah. Absolutely. Yeah.

Phil: Yeah. Okay...

Jason: Yeah. Automate the process. You mentioned before about uhm, setting up a convert kit uhm, sequence. I- I'd probably would just rely on uh, the QuickBooks statement pro-- like QuickBooks itself would have a no-- uh-- statement capability.

Phil: I never found that. I've never-- I've never found a way in QuickBooks, uhm, to uh, to have a-- a follow up email. And I don't really use QuickBooks to send out the invoice because it comes from the intuit address, and sometimes it gets-- it gets hit by spam. So I would just copy the link out and have a little email set up that, "Hey, you know, thank you for your order. Here's your invoice." So it stays on-- with my email address. But again, I could always...

Jason: Some-- something I'm-- some-- I'm sorry to cut you off. Some-- something you might want to try um, and have a look at uh, is a program called Xero accounting. And it-- it is in the States. Uhm, you can-- I'd use that, and it's very good. That's uh- that's my go to program in terms of uhm, accounting software. Because one-- one thing with their emailing system is it will-- you can customize invoice to look at how you want it to look. It'll email-- you can put your gateway, payment gateway attached to it. So it'll have the little green pay now button.

You email the invoice out, but it also then allows you to email out statements periodically throughout the month. So, you set up all your payment terms, etc. in there, with your customer as you would with- with Quickbooks. But you can then email out statements, uhm, regularly uhm, and sort of squeaky wheel uh you know.

Phil: Okay.

Jason: Keep- keep sending out those statements.

Phil: Right.

Jason: Where it's like..

Phil: I mean like I'd probably do something too with um, because I can-- I can get-- I have a Zap set up now, a Zapier. I love Zapier. I've been playing around with that. But it's set up so that if I have a certain um, class set up in-- in my Quickbooks, it will then sign them up, you know? It goes for the whole sequence. I-- I have it actually right now set up so that it goes into a uhm, a Google dock. So I just keep a line item, a Google or whatever. And it automatically subscribes them in to my-- my uh, Quickbooks that when I have any promotions, whatever, that I'm not going back through my records going a whole order for me for the last 6 months that I would like to know about promotion. So it automatically sets them up on there. But I can also have Zapier then-- then fire off a delay. And maybe have a setup so that you'll wait 7 days, and then, you know? Then go to ConvertKit. Hey, send out this email to this whoever. But I can have it when-- when the invoice gets paid. I-- I got to find out if I can do that. That it will then

terminate that Zap, and and and keep that sequence or-- or pull that person out of the ConvertKit sequence of...

Jason: Take the tag off. Yeah.

Phil: Yes. So that they're not getting flagged either. I mean it's extra steps in there, and- and you know? When you-- when you add more things into the-- there's more pieces that...

Jason: That can break. [laughs]

Phil: Yeah. Can break. Uhm, and I've seen that happen, you know what I mean? But uhm, uh yeah. I got to find out a way that I can-- that I can-- and I even had it too. Like I was trying to get my-- my VA to do this. Like, you know? Go through my invoices, see what's running late, see what's, you know? That's getting close to 30 days. But I'm always reluctant to have somebody else reach out and contact, you know? The customer on my behalf because it doesn't come from me. But that's again, it's more of letting go and that's a whole another topic. So...

Jason: Uhm [laughs] So, so, do you run-- do you run and check a-- an aged receivables report on your QuickBooks file? How do you work out your...

Phil: Yeah. I- I can do that. If I go right to my invoices, it'll give me like, you know? This invoice is due, you know? This is running on time. So I can either run an uh, an accounts receivable uh, report and see who owes me at what- like what block, you know, 30 day windows, or right on my dashboard I just click right on invoices and it just itemizes it right there for me. So, uhm, so I can go that way as well. Yeah.

Jason: Um, there's certainly-- there's certainly ways that your VA could do that for you. I mean even in the first instance before it gets so-- sort of free up your time uhm, hounding these people is that-- is it-- you could have a process. I don't know what you have this in our business is that, we have certain interim steps that are done by our admin team in terms of accounts in the outstanding accounts. Uhm, although I try and get as much upfront as possible as well. But there's certain steps to take place first. And if those-- those interim steps don't happen, that's when I might step in to pick up the phone or have that conversation. And and you can pick up the phone at that point in time. But you might find you're dealing with a smaller percentage that you have to deal with rather than everyone.

Phil: I guess what I calls it a two is I can set up an email account-- like an orders account. And, you know, I just...

Jason: Yeah. Just an accounts department.

Phil: Right. And it would just be uh, you know, your invoice is going out from the orders-- the orders thing. And then give my VA access to that account so that way she can follow up on that one. It's ways kind of the same email address, it's just she would sign it with just her name instead of my name and it would still be the same email chain and it all be-- and that kind of live on my server. So yeah that's another thing to check out. I just-- it gets kind of...

Jason: And her-- her email-- her email for it could be credit control and something quite serious.

Phil: Right. Yeah.

Jason: Like it's- it's actually a- it's not a- it's not a follow up. You know? The- the- the accounts department it- it's actual credit control uhm...

Phil: We'll do accounts at you know.

Jason: Yeah. So you know? It's uhm- it's- it's a lot- in a lot of these cases too, it is the squeaky- it's- it's two things I think, it's the relationship with the treasurer. And- and the- the- the- uhm and also the person making the order upfront and setting that clear expectation upfront.

Phil: Right.

Jason: Asking for a deposit where you can. As if having the treasurer contact each house. And then thirdly is the squeaky wheel syndrome where you're basically- uhm, you're not going away, but automate as much of that as possible so you're not having to stress and worry about it. So that uhm, you know? And then you could have in your-- in your terms of service at the very front that you reserve the right to uhm, to charge X percent over for late payment accounts. If they don't follow all those things that you've already just put in place, well, really it's just uhm, just neglect and denial. Well-- well that's not my cost, that's yours, so here's a fee for-- for not paying.

Phil: Right.

Jason: But- but- be clear about that in the outset. That if- if payment is not made within these terms. And whatever you do say, make sure you stick with it and

have systems in place to stick with it 'cause there's nothing worse than, you know, people see that and go "Oh, they're not going to do that." So...

Phil: Right.

Jason: I learned long- long time ago with chasing outstanding accounts is that if you say- so someone says to you, um "Oh look, I'll fix it up by Monday for you." And- and you say, "No. Probable I'll give you a call Tuesday if uh, if I don't receive it by Monday." And then- and uh, and then you make sure you make up the phone Tuesday and you say...

Phil: Yeah. I'm- I'm usually the guy who's like, "Oh yeah. Tuesday. Oh yeah. Thanks for the phone reminder. I'll uh- I'll get to it tomorrow."

[laughter]

Jason: That's it.

Phil: You're right. You got a million things on your plate. It's like- it's- it's, you know? You're priority isn't my priority. I- I totally get that.

Jason: So you- so you have to- you have to be consistent. And then if you can't do it then have someone, like your VA who can actually do it. And then try to remove as much of that off you as possible. 'Cause you're burned out.

Phil: Yup. Oh yeah. Oh yeah.

Jason: Basically this not-- not the uh highest [laughs] [inaudible].

Phil: [laughs]

Jason: But as much a- much as you can get upfront I think as a deposit would certainly be uhm...

Phil: Okay.

Jason: Would certainly be a- I mean you're certainly offered the- the right payment methods. And- and you've got clear communication when you do send the invoice, but I think it's that bit at the front that uhm, that needs to be worked on to be honest.

Phil: Okay.

Jason: Do you um- do you know how long on average it's taking for you to collect your outstanding accounts? Do you work out your accounts receivable days at all?

Phil: I don't. But I know it's so- it's usually between, I would say I'm usually getting paid with in the second month or so. So I just- I would have to say without- without verifying, I'm gonna say it's probably 30 to 60 days where most of my payments are made.

Jason: Yeah.

Phil: Um, so when it gets to 60 days I start sweating, you know.

Jason: That's a figure I would encourage you to calculate and work out. That's quite easy to do. But- but, one of the things with implementing the systems that we're talking about here and these changes, is that we measure whether or not they're working or not. 'Cause a lot of this is like turning dials, you're not gonna get the-

Phil: Yeah.

Jason: Gonna get the exact formula straight up. But by putting in place key performance indicator, or metric that you can measure of the- what the results of that is, uhm, so- so for instance. If it's say 60 days at the moment, and- and I'll give you the formula to work this out in a second. It's very simple. But if it is 60 days, set a bench mark or a goal that I can-- well I wanna get this down to 30. I've got to get this down to 30. So how am I gonna get this down to 30? Okay, I'm gonna work on my sales upfront process, etc etc. And then I'm gonna test and measure as I go with that, how if- if I'm making progress with that. because if you're not, then- then it's not working. And you're gonna have to- you got no way of knowing if it's working or not. Effectively uh, without measuring it properly uh, along the way. So, uhm, it's very easy to do, you just need to know what your outstanding accounts receivable are from your report. Uh, and then divide it by your, uhm, sales for the period. And then multiply by the number of days in the- in the period. So the work- I'll give you a- a basically a- a- a day- a number of days outstanding average.

Phil: Okay.

Jason: But I can send you that. I'll send you that, uh-- I'll put-- I'll put a- put a link in the share notes anyway or a- a- a formula in the share notes for people to, if

they wanna use that. But, it's just a great way to- to go. Okay, this is where I am now. I'm making these changes, what has- what has been the result. And- and you could measure uh...

Phil: Gotcha. Perfect.

Jason: Is that help?

Phil: It does. And I have one more question for you too. Now we have to talk about penalties. Alright.

Jason: Yeah.

Phil: So, I normally don't accept returns. That's- that's written in- in the terms and conditions.

Jason: Yup.

Phil: In the terms of my site. I think it's- it's hurt me 'cause I think a lot of people get to that and they had to check off the- they read the terms and conditions and they bail on my- on my shopping cart. Um, I'm pretty clear about that when people buy things. But I got one customer who's got buyers remorse right now. He bought something for me last week. He was all excited to get it, and the other day he's like, "I don't know. This isn't working the way I want it to work. I'm not- I'm not, you know? I'm not really understanding this right." I said, "Just play around with it, keep using it, keep tweaking it, we'll get it to where you want it." Today he's like, "Yeah, it's just not happening. What's your return policy." So I said well, it says right in my invoice, I don't accept returns." I said- he's like,

"Well, you know? Would you think about it?" So he's pushing me into it. It's a- it's- it's over 600 bucks is how much he spent.

Jason: Yeah.

Phil: It's for the one- for the one unit. And I'm wondering, can I just look, you know? If you want to return it, it's a 10% restocking fee. 'Cause I have to now resell this as- as- as a- you know, open box...

Jason: Second hand goods?

Phil: Yeah. It is. It's a used product at this point. So, really I would be charging him 66 bucks for changing his mind.

Jason: Yeah. Why not?

Phil: Okay.

Jason: You've gone- you've gone to effort and cost to- to send it- send it to him in good faith. And, I don't know if he change his mind at the moment, when he gets it there. Well, that's- that's- that's fine.

Phil: Right. And plus I've already spent the time programming the stuff for him. So I've already invested my own personal time.

Jason: Yeah.

Phil: You know, the value that I'm never gonna get back that- that he's not gonna take advantage of now anyway. So, uh, I mean do you think 10% is a good number? Do you think I should up it? I mean- I mean 'cause some of the stuff too that's there I'm selling is a \$100. Some of it's \$20 for me. If I do a 10% return, or restock fee on a two, you know, \$2, I mean- eh, should the more expensive stock have a 10% and the cheaper stuff have a 20%? I mean, what's- or is it just flat even one fixed value?

Jason: Look, I think um, if it's a- a \$20 item, I mean do you get many of that returned? Or-

Phil: No. [laughs]

Jason: 'Cause I would worry. But- but- but certainly, I'd say look, you know, for your- for your biggest stuff. Like uh, bigger items like that- so this was an actual pager was it? That he's returning?

Phil: Yeah, yeah. It was an expensive one too. Yeah. He got it on sale, and it was like end of the quarter type of things, type uh- deal. The prices were going up, they go up this quarter. So he kinda like- he- he was like- he was tossed up. He was like, "Do I- do I wanna get a scanner radio? Or I wanna get this pager?" And he was like back and forth, back and forth, back and forth. And I- I went on to- I'm like, I weigh the pros and cons of them. I'm like, "You gonna want this because of this, but you're gonna want this because of that. But only you can make the decision. I'm not gonna make it for you." And he went with the pager. So, I mean, either way, I- I would have referred him to an affiliate one way and I would have sold him the pager on the other way. Either way, you know? We're all happy. He would have gotten the product he would've liked, I would have

gotten paid. I mean, you know? Whatever. But, he chose to go with the pager. It's what he wanted. And he even did me a favor too. He sold one. He got his buddy to buy one too. So I actually got two sales off of him. But in the mean time though, it's- it's like, you know? Now I got this- yeah. Now I got this- and again, if I returned it to my- to my - to the manufacturer, I'm gonna get dinged, 15% on the return. So...

Jason: [inaudible]

Phil: Yeah. I mean, obviously I'm not going to return it to the manufacturer, but, you know.

Jason: I'd- I'd- I'd probably even go 20%. I would- I wouldn't be opposed to doing a 20% restocking fee. You've invested so much in the...

Phil: Yeah.

Jason: In the uh...

Phil: It's gonna cost over a hundred bucks to restock it. So, yeah.

Jason: But I would have those terms in- I would have those terms again at the outset. so that- so that you- it's always hard to do that stuff retrospective in a transaction. So, um, people go in to the uh- people go in to the transaction, that's when their need it's the greatest. Remember all that?

Phil: Yeah.

Jason: That's when they- they- they haven't got the item yet, they want it, um, so they'll virtually do- they'll pay for it, you know?

Phil: Right. Right.

Jason: Now they'll sign up on those terms, you know, you have in there. But as soon as you- as soon as they get the item, buyers remorse kicks in and they go- which it sounds like this happened in this case. Buyers remorse is cut in and he doesn't want it anymore, gets a- got a regret buying that, and then throw on an unexpected charge again, then it's double regret. You know? Like it's- it's double-- that your bad. Well...

Phil: Oh, I rather see him sell it- sell it privately to somebody else. You know what I mean? [laughs] I'd rather be removed from it, but...

Jason: Well, you could probably tell him that. You can probably say, "Look, there's a- there's a 20% restocking fee to do that, or you can sell it yourself on- on um, eBay or- or whatever."

Phil: Yeah. And make your money back right now, you know. That- that...

Jason: Yeah.

Phil: 'Cause now there's [inaudible cross-talk] and he paid for it, so...

Jason: Yup. Say "Hey, we're happy to take it back, but please know I'm gonna get charge a restocking fee from my supplier. You didn't- uh, I need to charge you a restocking fee. I need to pass that fee on. Um, my- my cost-"

Phil: I don't know too, if I'm gonna get dinged on the credit card too. 'Cause he- it was a credit card transaction. So do I get, you know, dinged on the return on that one? Or is it washed out? Or, how's that worked? I mean, I don't even know.

Jason: It's all, depend on the credit card, but I mean um...

Phil: Yeah. I got them from QuickBooks then. 'Cause it's- it's all done through them. So I don't know how that works with the charge back and all that.

Jason: Yeah, yeah.

Phil: I mean certainly I'll...

Jason: It's all those things you need to ascertain. But I would be certainly communicating that to him in a way that, "hey, I'm gonna get charged this fee. I need to pass it on to you, or-" so you got choices. I'm not giving you...

Phil: Right. I told him too. I said, "I gotta land up another buyer." You know? I got to land up a buyer who wants to buy a used pager, that, you know? That- that can spend his money for something that somebody else already had. So, if it was me, and I'm gonna say 50 bucks, I'm gonna buy a new one. I'm not gonna buy some- you know? Somebody's second hand thing. So...

Jason: That's it. So, give him a choice. Say, "Hey, this is option- option A, you pay me a restocking fee, 20%. I would put those- I would put those terms in future on you- on your actual site though. So that the...

Phil: Yeah. I was always doing like, no returns. But yeah, I think that's killing me, you know, I think people are seeing no returns and they're just walking away from it. So...

Jason: Well, see it doesn't...

Phil: And those are people who- those are people who'd return it anyway. Yeah so...

Jason: Yeah. It doesn't- it doesn't remove risk if you don't have some sort of out for them.

Phil: Okay.

Jason: So, the- the- the risk barrier for me is higher. If I- If I now, I'm locked into a transaction once I go over that line, as a part well, that might be a bit risky for me and I might actually go well no. I'm not gonna buy that. I'll actually buy it here where I can go and pick it up physically or something. So you're just gonna watch that. Whereas if you offer some form of returns policy with a restocking fee, then- then that might actually- it lowers the barriers of risk because, oh, there is an out if I don't- if I get...

Phil: Right. And- and you know what? I think- I think now I think about 20% might be a good one. 'Cause I- I also- they have- they buy one of the higher tiered items like this \$600 plus pager, which is now \$700, 'cause they raise the rates on it. Uhm, I- I don't charge shipping. So I'm eating that also. So now I've lost the sale, I've lost the shipping which is 20 bucks. So, yeah. 20- so yeah, 20%, if I charge him 10%, or you know? I'm a- I'm- I'm gonna break even again. By the

time I lose \$20 in shipping, \$20 to get the item to me, \$20 to get it to somebody else, that right there alone in my shipping rate is- is what I got refunded. Minus now the- the missing value on the used good versus a new good. And if I do flip it on eBay, I'm gonna lose 3% on eBay, 3% on PayPal, it- it adds up. Yeah, 20% is gonna be the magic number. And that's- that's my reasoning.

Jason: But do- but do the math- do the math Phil, so work through that transaction, like you just did then, get a spreadsheet going on- I can have a look at it for you if you like. But look at your margins and just see- see what that overall transaction's costing you. Because you aren't- you don't wanna be- you don't wanna be giving away so much...

Phil: Right.

Jason: At your cost. And at the end of the day, business comes down to margin. It's not how much you sell it at the top line, it's what drops right down the bottom after you've paid for everything and given away all your time and all those sort of thing.

Phil: Right.

Jason: Keep focused on that.

Phil: Yup. Yeah, I hear you.

Jason: Keep focused. Do the numbers. Do the numbers before you said it, but...

Phil: And all this because I got into it by accident, right? You know? This- this whole business...

Jason: Yeah, I know.

Phil: Old mess was just a whole set of lucky coincidences, you know?

Jason: Yeah. You've done well, mate. I mean it's just turning that passion into a- into a- a business.

Phil: Yeah. Yup. And the whole goal really of the whole business is- is to- you know, support- to keep my hobby going. So instead of me, you know, dipping into the house fund to buy a \$700 scanner, the business is buying that, right? 'Cause now that's a toy that I need to have in order to do more business. So- or my iPhone, or, you know, I need my iPhone to do business. Well, I needed a new phone anyway. So I'm not spending \$50, \$56 out of my house money, you know, it's- it's all coming out of- it's not really like, I'm not looking to get rich off the business. I- I'm looking really to, you know? Just fund my expenses, and- and keep my hobby going and and so far, it's been fun. It's been doing it. But, you're right though, the more work I'm putting into this, the more expenses I have- and I'm hiring VA's, I- I have, you know? My ConvertKit money went up because I have more people on my- my mailing list. I'm paying for premium Zapier, I'm paying for shipping. I'm paying for this. So I need more money, so this is now really- you know? I- I got a \$3,000 in credit card expenses a month now because of this- this hobby. You know what I mean? And- and, it's - it's you know, it has become a business in itself, and- and every year I- I ramp it up. Like, now it's more of a business, now it's more of business. And now again, talking with you, it

feels like it's even more of a business. Too bad it's not a business I can do 9 to 5, but is a business I do 9 to 5 on Saturdays and Sundays.

Jason: Yeah.

Phil: You know what I mean. It's- it eats up a lot of time. So uh...

Jason: Do you, uhm, do you put a value on your time at all?

Phil: I do. I- I do have a- like a- with [inaudible] touch and see that. I do podcasting. Which is how you and I know each other. So I offer consulting with podcasting, I do value my time on that. When it comes to scanner, the- the program the radios, I have value on my time on that. When it comes to uhm, you know, the pagers and program in that, I have a fixed value on that. So if somebody were to just say, "I bought this from another- from somebody else. I want it programmed." Okay, here's the cost it's gonna be to get that- to get this programmed. So, when I sell something I know I have a- a value on that. So I have figured out, like, you know? My time is worth X dollars, this is why I hire VA's. This is why I hired my accountant, and I keep him on retainer on a monthly basis,. Because for me to spend an entire Saturday in QuickBooks, you know, four times a month and then another- another day going through my- you know, reconciling all my accounts. Or paying my New York state sales taxes. Paying my- no. My accountant handles that, alright. That's- that's my time and if I pay my retainer, that's- that's time well spent for me. That's- that's good money, you know. But again it's- okay I got to pay him.

Jason: That's it. That's it.

Phil: I need the fund to pay him.

Jason: You gotta- you gotta- you've got to bill all that into a- you gotta bill all that in to your margins and make sure that you-you've got- got that margin that to- to also have a return at the- the end of the day. So um...

Phil: Right.

Jason: It's- it's a rough rule of thumb that- that-- and I'll use this loosely- very, very loosely. But uhm, but it- that it, it is a guard for people who don't know where to start and what to look at. But if you look at say, your transaction being broken down into thirds, basically you have a third for cost, in terms of buying the goods.

Phil: Yup. Cost of the goods- cost of good sold.

Jason: Yup. Cost of goods sold. And- and then you have the third for your overheads.

Phil: Okay.

Jason: And then the- the bottom third should be profit.

Phil: Got you. And it also go back to, yeah.

Jason: And that's a good rule of thumb.

Phil: And- and I think it's about the value too. When I do the invoices to my customers, I'll itemize it. Like, here's the cost of the item. Here's your dealer discount, here is your clip, here's the discount for the clip to zero- to zero that out. Here's the value of the batteries. Here's the value that I'm giving you back for your free batteries. So everything I've itemized out so far has been- and I really should add the programming fee. Value that as well, so you can get that as well. And then uhm, you know, then that- that would be in there. So uh, they should- I need to step into the light on that...

Jason: Make sure you got your time in all your calculations.

Phil: Yeah.

Jason: So make sure that you have your time in all your calculations.

Phil: Yeah, yeah. 'Cause programming definitely takes time. I mean that could be- that could be a quick half hour job, that could be a three hour job. Depending how many are in the order. So this- this days I just- I just dread programming because there's so many. You know and it's just time. Putting in- putting in the programmer, taking it out. Putting in the programmer and taking it out. You know. It's when you have 30 of them to do, it takes time, you know?

Jason: Yeah. Yeah. It's your time. And that's the time you could be growing your business. Working on other things in your business uhm...

Phil: But there's nobody else from my business who can do that. That's the problem, you know. That- that has to fall on me.

Jason: So you got to get a return on that. You got to get a return on that- that investment. 'Cause it's valuable to them. And ask yourself, what is it worth to your customer to do that? Like, what are you saving your customer in time and energy, and cost in doing that. So that's value.

Phil: I've- I've asked that too. It's like, do you want to handle programming or do you want me to do it? Oh, you're gonna handle- yeah. I'll handle the programming. Okay you then- you do it then. So they know there's a value on that because now, they're not doing it. So, yeah. 9 times out of 10, the customer always says, you can handle the programming for me. So...

Jason: Yeah, yeah. That's- that's it. 'Cause- 'cause you're gonna do it. [laughs]

Phil: Yeah. Exactly. Yeah. I'm a sucker. [laughs]

Jason: Yeah. So, so we need you to- we need you to be recharging that. We need you to be recharging that. But...

Phil: Okay.

Jason: Uhm, but- but it's- I think there's a lot of work to be done in that front end of the transaction Phil, and- and communication and- and, that's where I'll be- be working on a strategy to- to get that clear communication of time and expectation upfront terms and certainly build them in. But um, as a last resort to adding the value at the front of the transaction.

Phil: I like your idea too if adding the value if they pay instead of penalizing them. So, again I'm- I'm definitely thinking of maybe if I take away the batteries

up front and then add them at the end or something like that. They're still gonna get it when they make the payment.

Jason: Yeah.

Phil: Uhm, because- I mean, that 'cause again. you know? I- I spend, probably a \$300 a month just in spare batteries just to give out- you know, again, the batteries don't- don't cost me 300, you know, they're- they're \$2, you know, for a pair. It's not like it's costing me an arm and a leg. I- I can certain the cost to doing a business. But at the end when you only buy 30 pagers, that's 60 batteries, that's, you know, at \$2 a piece, that's a sizable amount.

Jason: And something you have to look at too is say, it's the thing called the- the cost of capital. Basically, what that is, is if you think about \$100, okay? And I'll uhm, you've got a- if- if- if, you give me an invoice for \$100 and I don't pay you, okay? You- you've gone and you spent the- the money on like buying the goods, etc., that \$100 isn't in your bank account. So you can't earn interest on that money.

Phil: Yup.

Jason: So, that's- that's sort of your cost- your cost of capital. It's costing you money because that money is not in your bank account. It's saving me money because I'm not having to use my over draft of money to- to do that. So, uhm, the cost of capital gets even worse if you've borrowed money on credit or any like that. Because the actually cost of capital right now is the credit rate that you're paying on that borrowed money.

Phil: Right.

Jason: Everyday that's taking away, that's costing you money. So if you weight that up, let's say I have- that's and I'm showing a breezy. But let's just say it's \$100 and over an extra 30 days, that might equate to say \$20 extra for you, okay? That's easing in to your margin. But if a- a set of batteries for \$2 is going to get that \$100, 30 days faster, then you're \$8 in front, if that makes sense?

Phil: Yeah. I got you.

Jason: So, so, build that value into the transaction as an incentive to first say look- don't you- maybe don't give them the batteries straight away as a- as a- as part of the package. Say, "Hey, we need a 20% deposit up front, but we can save your department X number of dollars by giving you these batteries if you, if you pay the deposit up front."

Phil: Right.

Jason: 'Cause I did say a lot of those departments would all be on budgets. They would all have budgets.

Phil: Oh yeah.

Jason: They've got- that they've got to stick to each year. So if you can save the money in their budget, that's an argument for you to- to- to- that's a way you could frame. That is actually say, "Uhm, hey, uhm, we can help save your department X dollars on- of budget if you pay this deposit upfront." They're

gonna go, "Wow. Okay. That's cool. We can spend it- spend it on something else."

Phil: I think too it's just thinking allow to that, that might slow up the process. Because if- if the treasurer only comes in and does payments once a month, then I'm waiting for the treasurer to give me my deposit. So then that would delay me by, you know, anywhere from a week to four weeks then when I- when I do all the- the bank roll again. You know that the payments. So, that could slow up...

Jason: But still haven't placed the old...

Phil: Yeah. I know. But then I will be placing order for another 30 days where- then I get some time to find somebody else that would do it as well. So, I know. It's a lot to think about. It's...

Jason: It is. But I think also too, that- I'd said it in departments before. I mean, when people want things, they can get them through.

Phil: Yeah.

Jason: They can get them through. It's not impossible.

Phil: Yeah.

Jason: Uhm, particularly with the smaller ones which is seemingly what the- the problems areas are, are the smaller departments. Um, you know, that don't have purchase orders.

Phil: Right.

Jason: As we were talking about. So, you know, if the systems of that loose to start with, I'm sure they can push your payments through a lot sooner as well.

Phil: Yup.

Jason: I don't think they'd be that rigid with that. I personally think a lot of it is just- just, uhm, you getting lost in a pile on someone's desk somewhere to be honest.

Phil: Yeah. Or the- or the check is sitting in somebody's mailbox waiting to get signed.

Jason: Yeah. Absolutely. And- and that's was it. Just remember that, that the value in the transaction is up front before you deliver- deliver the goods.

Phil: Right.

Jason: Just remember the prostitute. [laughs]

Phil: Yes. Yes. Yes. That's why you too is gonna be- be nice to take like, you know, just like a- an authorization holds, and then when it mails out. But again, you know, you can't really- it- it- I don't think I do think they do off hold on- on Quicken but, that's a whole another mess, 'cause they all like to do POs and cut checks on all of those stuff so...

Jason: It's another world. That- that's administration for you. You're not they're- you're not they're bookkeeping department. You're there to provide a solution to them at great value and great- and- and- and and a great product and service, which you do. They- they may need to be respectful of that and pay you- pay you one time.

Phil: Yeah.

Jason: So, basically, hey these are my terms- I'm really gonna help you with this thing. But I do need to ask you for this to get- to get it going.

Phil Yeah. yeah. And I think it's good. I think- I think adding value is such attracting, you know, putting something negative in there. So uh, I was also thinking about two of the big orders, you know, give him something extra to sweeten the deal like there's a surprise gift that they weren't expecting, you know, like, maybe throw a coffee mug in there, or something that's like, they'd use it like everyday, and- and say, "Oh yes. We got the pagers from uhm", and they wouldn't be expecting it that maybe would, you know, remind them that next time they need something to come directly to me instead of going some place else. So, uhm, you know, like they would say it's...

Jason: Can you hit your suppliers? Can you hit your suppliers up for- for incentives?

Phil: No. They don't- they don't really do that. Um, so- on a rare occasion if it's something that- that has happened where timing is- is an issue like, if they come up the promotion and- and somebody had just and- and- and you know, their order's in transit, like- like if- if I placed you on on the 31st, on this- on the third,

they say oh, we'll gonna get back send that warranties, like why didn't it take delivery yet. And the customers are taking deliver yet. Can you just let them have the warrant- you've sent the warranty and they'll say, okay. You know they're- they're good at stuff like that. Or if I know an order's coming in, I'm like, "Look, you know? There- there- there maybe two or three days late, can you do something here?" So, they're good on that end, But like, you know? Can you throw me a couple of extra cases, it's- usually I stack it. It's got a fall on me for that kind of stuff. So...

Jason: Is extended warranty a- a big enough sweetener for- as a- as an incentive to pay a deposit upfront?

Phil: Not for me, it's not. [laughs]. 'Cause they're like a- they're like 70 bucks to extend the warranty. So that's- that's- that's- that's too much for me to have up front. Yeah, yeah.

Jason: Sure. Okay. No that's fine.

Phil: So, that's why right now, it's great 'cause we've given away the warranties. So that's you know, it helps sweeten these departments at. Most departments don't buy them, so it's- it's added bonus to them. It's not like it's a- a value they would have- they would have anyway.

Jason: Yeah, okay.

Phil: So...

Jason: It's gotta to be a value- they've really got to see the value in it in terms of...

Phil: Well I usually do that say, and if it's out of a warranty, you know, here's the fee to get it fixed once you're outside of warranty. So if you buy the warranty, the warranty is cheaper than your first repair, you know, but- you know, they're all in budgets, see how it goes.

Jason: Yeah. That's it. That's it.

Phil: We'll worry about that tomorrow.

Jason: That's it. So just to recap, uhm, you gonna- you're going to go and have a look at the- the front end of things in terms of structuring that sales piece, communicating upfront what your expectation of payment is, including getting the treasurer's details and communicating details.

Phil: Yes.

Jason: In your system. Uhm, and then really look at making sure that the- so getting that upfront deposit if uh, were possible. And again, it's not gonna be- you're gonna have to read that- you're gonna have to read that. Because every transactions gonna probably be different. But I would be- be caught- being caught as firm as possible without burning the deal there. Uhm, and then, uhm, just making sure you've got an adequate consistent payment collection system in place. And you should be a uhm, through that as well as much as possible as well as your automation that we spoke about. Because uhm...

Phil: Right. Right.

Jason: It's that squeaky wheel, you know?

Phil: Exactly. Yeah.

Jason: Going back to the- going back to the treasurer, going back to the person who ordered them consistently to make sure that they, yeah. They get your payment ASAP and prioritize you and then you get lost.

Phil: Yup. Good stuff.

Jason: Is today been helpful?

Phil: Oh, it certainly has.

Jason: Yeah?

Phil: Yeah. I- I - I mean, you put a value on your time. I mean I can't- I can't ever repay you for uh, for what you've helped me with today. So, uh I'd- I'd appreciate you. Doing not only what you do here, but what you do for your, you know? The whole community and- and, you know? And the groups that you and I are in and all the- all the value you've given all there, I mean- what you do is absolutely amazing. So- I appreciate it, a whole another level now.

Jason: Oh, Thanks so much, Phil. Thanks so much. Yeah. What- what are some items of value that you've actually got out of today's call in terms of you can take

away and say, alright. I'm gonna- some actionable and big- the listeners might be able to take away from this as well?

Phil: Yeah, well the- the first thing is uh, definitely jumped on your Facebook site and- and- and post your questions 'cause you keep saying that you know?

Jason: [laughs]

Phil: Put your questions. So it does work. You have a question, you know it- it- Jason- Jason reads them, that's for sure. Uhm, it's- it's- it's definitely- I gotta find out and I'm- I'm- my- my wheels are spinning now to get a form set up so that not only do I have the person I'm talking to, but a direct contact with the treasurer, so that I know who I can start hounding. Even if it's gotta be on- on-on, you know? When a guy's closed you in a month. "Hey, you know? you're getting 7 days deal," something like that. Get my VA involved in this one was well. Like, you know? The clock is ticking on this person, this is their due date, at this time frame, you're gonna email them, and you're gonna say, "Resend this email," you know? By the way, your invoice is doing 7 days, here's another copy of the invoice. And again, to where the QuickBooks, I can see when somebody has actually opened and viewed it, so I know they're looking at it and get them in that one as well. Maybe get some sort of automation as far as Zapier or ConvertKit. I have to figure out again, my uhm, accounts receivable over sales for the for the period times days in a period to find out how my KPI's are doing. Uhm, also, it's okay to take away the bonuses up front and give them at the end, which I definitely think I'll start doing. Uhm, even...

Jason: Incentivized upfront payment, yeah.

Phil: Yeah. Yup. And then also, as well uh, don't be afraid of changing my terms. Instead of saying no returns, I'll do a 20% restocking fee on everything. Because even I got one person on eBay who just decided this week that they don't want the charger that I- that they bought from me. Because they returned the pager they bought. So they don't use the charger anymore. So they opened up the casing, it was not authentic. And I had to send an email- no, here's the serial number of my invoice. Here's the serial number that I sent you. Here's the warranty. And it's like, now I'm in eBay limbo. Because I don't know how eBay's gonna side one way or another on this one. So, if I just put in there I'll accept the 20%, then this whole thing could have been resolved. And I could have resold that product, not worry about now what eBay's gonna be doing. Uhm, so, yeah. I have a little bit of restructuring to do. But I think in the end, I think that maybe it'll help me with the sales. Because it will take out some of that risk from the customer. Uhm, you know, I hate to be that, you know, I'm gonna buy it and try it and return it later type of thing. But, you know, in the end, what's happening is, I'm slow to get paid. So I am slow in paying my vendor. And I hate, you know, getting- looking at my account you all- Hey Phil, here is your account's receivable from us, you know? Does it line with the account's payable? Hey, you know, and- and my values were in the 30 to 60 range. And maybe I might have one in the 60 plus range. And it's like, I know they'll drop me, if it keeps on going. So, I need- and again, the problem is, is that, the paging business, as silly as it is, it's paging. That's my bread and butter. That's making the most amount of money in all of my you know? Between my affiliates, my podcasting, my services, this is my bread and butter. And I have to make sure that this is going to stay alive. I can't jeopardize because somebody else won't pay me. I can't jeopardize my relationship with my- my vendors.

Jason: It's too important. You're business, your business is- is the most valuable thing to you. And um, you know? You have to preserve, you have to look after that. It's a- your suppliers are a resource of your business. It's- it's- a value in your business. And you need to look after them. And like they need to look after you. But- but they- equally your customers have received a valuable service from you, and then they need to be prepared to pay for you, and pay- pay for that on time. And- and setting that expectation, I just can't stress enough how important that is. Because just so many of us don't- because we're so keen to get sale, and we worry about not getting the sale. But here's the thing, um, if you haven't got a business, you're not going to get sales anyway. So, you know, you can go lay on the beach and get broke- go broke, you know, uhm, you might as well get paid for it. [laughs]

Phil: A little cold- a little cold where I am for the beach.

Jason: Yeah. We're going- we're going [inaudible]

Phil: Exactly. Exactly.

Jason: That's probably a good place to wrap it up. Phil, thank you...

Phil: Yeah. That sounds good.

Jason: For joining us and I'm glad I was being of help for you mate. And we'll probably check in again in- in -in those time and track and see- see how it worked out for you. But I'll certainly keep in touch with and know I'm...

Phil: Yeah. I appreciate it.

Jason: Um, if you've got any further questions and- and you if you got to run something by me then just drop me a line. Uhm, also you check out Typeform if you haven't already to- Typeform...

Phil: Oh yeah. Typeform, that's another good one. Yes.

Jason: For doing- I use that in my business and it's- it's just got some fantastic options in terms of form management and that sort of thing for you, for you collecting your data. So yeah, just check that out as well. Alrighty. I'm gonna hand uh, hand things over to Mia now. But until next week. Phil, thanks so much for joining me and everybody else here's to your success. Talk to you next week over this, bye.

Thank you for Tuning In



We hope you enjoyed this episode.

If you have any feedback or questions about the content in this episode please don't hesitate to drop me a line at jason@businessmadeeasypodcast.com I would love to hear from you.

Other things that you might like to help grow your business.

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Thank you again,
I appreciate you!

*Regards
Jason*