THE EDGE
Creating Wealth For Interior Design Professionals

Date October, 2018

To: Valued Edge Member
From: David Shepherd
Subj: Monthly Edge Newsletter

Calendar of Events

October 4, Member coaching call. (Recording available in Archives)
October 15, Edge Newsletter Received
October 25, Quarterly Special Event: ***Marketing to the Affluent***
November 1, Member coaching call
November 14-16, Annual Member conference (Not too late to register!)
December 6, special 2-hour Member year-end coaching call

www.edgemembership.com/events
For more information or to register

Be Obsessed or Be Average

Be Obsessed or Be Average is the title of a book by Grant Cordone. I'd never heard of Grant until recently, but he's written several best-sellers and you can find his sales training videos on Youtube.

I have to warn you, however, you probably won't like him. You'll probably see him for what he is, a *"natural born salesman"* and brash Cajun who has skin six inches thick and would happily go through 100 "*Nos*" to get to a sale. You'll probably see him as the epitome of a glad-handing, back-slapping salesman that you wouldn't let within a country mile of one of your prospective high-brow clients.

I say that because I felt exactly the same way the first time I read *Be Obsessed or Be Average*. But as I moved on to other books in my pile, I kept thinking about Cordone's philosophy. I read the book again on my Kindle. A month later, I listened to the audio book version as I was driving to Santa Fe. (Nine hours.) I took notes. I printed out a cheat sheet. All because after having the initial reaction I am predicting that you will have, I started to realize that Cordone was tapping into something within me that I've always known was there, but which I'd never heard anyone say was a good thing: *Obsession*!

I'd always read, and been told, that one must have balance in one's life. That one must take "*time off.*" That one must not be consumed with one's work.

But what if we love our work? I'm happiest at 6:45 a.m. in my office with my first cup of coffee, envisioning how the day might unfold, and how I can create something of value for members of The Edge. I get home about 5:00 and head into my home office and get out a legal pad while watching sports updates, and start noodling how I can do something more the next day. Maybe I'll read a little Grant Cordone.

And already I can hear some thinking that sounds like a dreary life. *"Poor man, he has no life!"* But while I love my two grown sons (and my four grandchildren) and 94-year-old mother and wife and step-son. . . and chocolate Lab, Sammy, is it okay to admit that even if I'm sharing a moment with them, my thoughts are actually on my business? On how I can leverage my time, accelerate content development, build the membership (to a certain level) and provide value?

Maybe it's something going on in my brain, you know, one of those chemical things that feels really good when certain neurons light up. But whatever, <u>Grant Cordone was the first author I can remember who not only told me this "*obsession*" was okay, but that it was absolutely mandatory to be successful in the way I want, and that anything less than total obsession could only result in average.</u>

For 30+ years, I have said and written what I know to be true which is that "*strategy*" is the most important thing you must do as a CEO / business owner. As those who have been through an ActionMaps course know, strategy is defined as:

A CHOICE OF COMPLEMENTARY ACTIVITIES THAT ARE PERFORMED BETTER THAN OR DIFFERENTLY FROM COMPETITORS, AND AN ACCEPTANCE OF THE TRADEOFFS.

This means that strategy is superior in rank to everything else one can find within a business, including marketing, technology, human resources. . . even cash flow because it is strategy that determines whether cash flow is positive or negative. Event talent. Especially talent! But Cordone throws another variable into the mix, one that comes from outside of the business. It comes from within you:

"Obsession is the critical component of success——<u>senior to strategy,</u> pricing, timing, competition, or people; it offers the method for living in true freedom and total control of your life——personally, financially, and emotionally. When you become unapologetically obsessed, as I am, you'll be at your very best: hyperfocused, persistent beyond understanding, <u>creative to the point of appearing magical,</u> and with an insatiable determination to win that not only attracts great talent, but also brings out the best in others."

Sound like someone you know? Intimately?

In another great book, *Insanely Simple* by Ken Segal, we see confirmation of my longtime belief that complexity is the #1 killer of small firm profits and that simplicity is the antidote. However, Segal notes that one cannot chip away at the edges of the incumbent complexity but, rather, must blow it away. Must nuke it.

It's the same for obsession. As Cordone says, *"There is no 'obsession light.' You have to embrace this die-trying mentality. There can be no choices and no options. You don't need to like what you do, you need to <u>love</u> what you do. <u>Eat, sleep, and breathe your goals.</u> What will you create? What can you do that has never been done?"*

Are you feeling empowered or a bit intimidated at this thought, the thought that it would be okay to let the world and your family know that you love them but that you are totally obsessed with achieving your goals as an interior designer, and that you can't do it with anything less than a driving daily obsession?

Of course Cordone is a sales person, so his obsession relates to being the best sales person and best sales trainer on the planet. Most designers I know would rather focus their obsession on design, but let's not kid ourselves. **There would be nothing to design without your ability to close a sale.**

As Cordone says, *"Sales is not just important to your organization——it is the lifeblood of it. It is everything."* Or, as Thomas Watson, founder of IBM famously said, *"Nothing happens until a sale is made."*

Marketing to The Affluent!

Thursday, October 25, 2018

1:00 p.m. Central time (11:00 a.m Pacific; 2:00 p.m. Eastern)
(You will be automatically registered
and receive an email confirmation.)

With this in mind, I'm turning my attention this month not just to selling, but selling to the affluent. Of course this is more relevant to Edge members in residential design than commercial, but it's a topic I feel must be pursued.

Specifically, I have designed a survey that is being sent to 1,000s of interior designers nationwide and which asks them to reveal their secrets and challenges to securing the "*whale*" as client. You've heard me speak about the *"roller coaster of sales*" within interior design, and what this means is that many firms *"hang in there"* for months (or years!) at a time and then make almost all their profits when the big job is landed, the whale.

I'm going to learn how designers from coast to coast are landing whales today, and then I'm going to share that information with Edge members in an exclusive, members-only webinar on Thursday, October 25 at 1:00 Central time. **Mark your calendar** and look for the email confirmation that you've been automatically registered for this GoToWebinar event. (A recording will be available in the Edge members' Archives.)

You'll have many action items as a result of this Exclusive Edge member benefit, so please don't miss it!

The ONE Number that Matters Most

(Note; this important topic was also addressed in the October 4, 2018 Edge member coaching call. You'll find a recording in the Archives section of www.edgemembership.com)

You've no doubt heard that *"what gets measured, gets done,"* but there's something odd to me about that phrase. What if you're measuring the *wrong* things? What if you're spending all of your time measuring ancient history (like P&L statements) and not measuring indicators of future success?

I'm talking, of course, about leading indicators. As a member of The Edge, you're going to work with me in December to set some clear and specific goals for 2019. (Best year ever!) But we're not going to wait until December 31, 2019 to look back and see how you did. Rather, we're going to identify some specific markers, or leading indicators that tell you whether or not you are on the right path.

The challenge is finding the right set of leading indicators, and even more challenging is ranking them so that you are left with the one number that matters most. This is the one number that provides absolutely confidence that you are on the right path. Or, that corrective actions are required.

This number, the one number, often won't come from where you might think. Most likely, it won't come from your accounting statements as those are filled with historical data, also known as lagging indicators. We want leading, not lagging.

How will you know, say, on February 1, 2019, that the first half of 2019 is going to be good, bad, or indifferent? Is it the dollar volume of business under contract? Is it the number of prospects currently in the funnel? (That is, at some level of discussion that presumably moves them toward a contract.) Is it the number of postcards you're going to put in the mail, or even the number of warm cups of coffee you're going to put in the hands of key influencers?

Norm Brodsky is a long-time writer for *Inc. Magazine* and a successful entrepreneur in his own right. One of his most successful businesses is a records storage business. Brodsky tells how he was all set for a great year when information on a 2-page report he receives every Monday morning caught his attention.

In New York, post 9/11, his business had boomed as businesses with damaged buildings (or newfound fears that their buildings could be damaged) moved thousands of boxes of records off site. Norm was comforted every Monday morning by the leading indicator that the number of *"new boxes received"* the previous week was up.

"With recurring revenue from stored boxes," Brodsky says, *"tell me on September 1 how many new boxes came in during August, and I can tell you total sales for August within 1-2% of the actual figure before actually seeing a financial statement. That total revenue comes from many different sources. . . not just boxes. But over time, I've come to trust that there is a correlation and this one simple number allows me to understand the entire company at a glance."*

Which is also why his face almost went white one Monday morning when he learned that his new box count had declined 70% over the prior week. Perhaps it was an aberration, but Brodsky wouldn't have to wait a month or more for new financial statements before taking aggressive, preemptive actions.

Brodsky, an accountant by training, admits he doesn't know exactly why the number works. He says that it's a little like predicting the sales of an entire department store based on how many shoes it sells. It may or may not make sense or even be provable, but over time it wins us over because it just plain works!

Key numbers (*magic* numbers!) give businesspeople the information they need to track daily or weekly activity that lead to long term success. **Business moves too fast to wait for monthly statements.** By that time, you're already dealing with the consequences of whatever problems might have arisen when you weren't looking.

And there's no need to get overly complicated here because the most important source for magic numbers are those that relate to sales, and to gross profit margins on those sales. Without both, you may very well be losing a little bit on every sale and hoping to make it up on volume!

Scott and Carolyn Boldt are Edge members in Atlanta and have a very unique medical niche in which the design work is largely done while working with clients online. Even some employees are remote and their customer base is national.

Because they have somewhat of a low price / high volume model (at least compared to a typical residential designer) they must (and do) carefully measure every step of activity in their sales funnel. For example, how many people visit their website, perhaps driven by Facebook ads? And how many of those respond to the call to action and schedule a complimentary consultation, or CC? How many of those go forward, perhaps committing to the first phase of space and schematic design?

At each step on this path, there is a ratio, that is, do 20% of website visitors schedule a CC, or is it more like 1%? Or less? And there is constant tweaking of the way the website looks, the amount of information a prospect is required to submit, the timing and on and on. They tweak because improving the ratios even just a little can have huge effects over time.

Don't forget that improving something from 1% to 2% is not a 1% improvement, it's a 100% improvement!

So, when I visit with the Boldts (long-time consulting clients) one question I know to ask is, *"How many CCs do you have scheduled this week?"*

That's a beautiful leading indicator, or even a magic number that, over time, will tell them exactly what sales will be a month or two down the road. Two CCs? Could be a problem. Seven CCs? No problems! How long does it take them to pull together this "*report*?" About 15 seconds.

I'm trying to build The Edge membership to a certain level so that I can stop promoting and increase the time I spend working with you directly. But until I get there I am in fact trying to grow the base of members. My magic number? Very simple, net new members per month. I simply look at the member count one month ago and make sure that number is higher today than it was then. I've got dozens of other things I could measure (events, registrations, online course sales, coaching and consulting, email open rates, and on and on) but at the end of the day, only that one measure really matters. It takes approximately 30 seconds to derive, and I write it on my white board. Done and done.

Now. . . let's turn the spotlight on you. What's your magic number, that one leading indicator that will become a highly accurate predictor of future sales and profits? Is it:

- Current backlog of business? (What accountants might call *"unbilled contract costs."*)
- Current utilization rates? (Percentage of time that you and anyone else in your firm who bills time are billing?)
- Number (or dollar volume) of job proposals (bids) outstanding?
- Number of phone calls per week from new prospects?
- Number of first-time on-site meetings with prospective clients?
- Number of contact forms submitted from your website?
- Number of people coming through the doors? (Retail)
- Average sale per customer?

Before you commit to your magic number, let me issue one warning against numbers that are too technical. At some point in time over the past decade, you probably thought you had to learn to embrace "*analytics*" and probably let a web developer add Google Analytics to your website. You probably got a report on website visits and page views and time spent on each page.

You may have gone further and hired someone to do "SEO" to improve those rankings. Or perhaps you even paid Google or others to improve your rankings. And despite all of that, did it last? Do you remember the numbers? Are you still playing those games?

<u>I can count on one hand the number of Edge members who truly understand and carefully track that level of detail each and every month.</u> (Or even more often.) And that's fine. I always say that it doesn't really matter what marketing method you choose; any will work if you'll stick with it long enough to make the hundreds of small corrections that will be necessary to absolutely nail your marketing "formula."

The caveat here is keep your magic number simple. Better to count boxes on the floor of a warehouse (like Brodsky) than to compare a hundred search terms for their popularity and rank and decide you need to include *"neo modern classicist design"* because that's a term you can afford to rank for. (No idea if such a thing exists!)

<u>I'll get into this in the months ahead, but the concept I'm proposing is that you can't afford precision!</u> Precision is too expensive and too complex for small firms to pursue. While this might sound odd coming from a business school professor, **you not only have to create a simple business, you have to be able to live with a somewhat sloppy one.** Said another way, *"margin dollars"* have to be that goal.

Where Costs Hide (AKA, Dark Matter)

You spend a lot of time thinking about costs. What's that sofa cost? What will that new software cost? What about that trip or new car or new hire? After all, other than revenue, it's those costs on your P&L that are key to whether or not you make a profit, right?

Well, yes and no.

For all the obsessing over costs, have you ever really thought about what a "*cost*" is? (Hopefully you haven't, but rather you leave such esoteric thinking to me!)

For the sake of argument, let's consider the dictionary definition of the word "*cost*:"

Something that has been, or will be, given up in the process of doing things.

Notice that the definition refers to "*something*," not specifically to <u>money</u>. Maybe effort could be a cost. Or creativity. Or time. Or health…

We associate costs with money because we allow accountants to make stuff up that we then feel is *"the law"* about how information must be recorded. Did you know that accountants make things up all the time? Every aspect of accounting that is the least bit difficult for you to understand is because it was made up. It may be the ultimate irony that most entrepreneurs think their accountants operate in a world of great precision, when in fact the only precision that matters to you resides in your bank account, that is to say, cash balances.

Concepts like depreciation, accruals, and even profits are just that—*concepts*—made up by accountants out of whole cloth, and the terms are often both confusing and harmful to entrepreneurs. These concepts are so arbitrary and subjective that a massive book called *Generally Accepted Accounting Principles* (GAAP) had to be created so that accountants can stipulate what they "*generally*" agree upon. Not always...but sometimes. In *principle*. Maybe. Made up.

You should no more attempt to master accounting jargon than Swahili. (Ironically, I speak both, but that's a different story!) Your job should be *doing*, and freeing up more time to do even more! That's called being productive and that will invariably mean getting rid of costs, but you'll have to leave the world of accounting behind to understand what costs truly are.

Some costs, of course, can be measured precisely. Ford measures the cost of manufacturing a truck very, very precisely. That includes every minute of time workers spend on an individual truck, and that truck's share of overhead right down to how much of the light bill should be allocated to that specific truck.

That would be nice to know wouldn't it? Wouldn't you like to know—to the penny—how much a given project contributed to your bottom line?

Well, you can have that sort of precision, too. It would just require a few full-time cost accountants on your staff running around with calculators, stop watches and clip boards. Ford literally has *thousands* of them! They need so many accountants that they paid several million dollars for a spectacular recruiting center inside the *McComb's School of Business* at the *University of Texas at Austin* where I used to teach. UT's accounting department is generally ranked #1 in the nation and that's why Ford set up camp there.

In other words, *forgettaboutit*! Your small businesses simply can't afford that level of precision. **Which makes it even more important that those things you do decide to measure (your magic numbers) are the right ones,** and are fairly simple to track. This logic extends to costs as well.

Whether we're discussing Ford or your firm, it is crucial to remember that costs can be visible and invisible and both are necessary to the process of *"doing things."* Costs are also the ultimate Catch 22. They simultaneously enable, and yet prevent. That marketing investment might *enable* you to grow your business. . . but the cost of it may *prevent* you from pulling the trigger. Same for the new hire, the new facility, and the new computer system. Damned if you do, damned if you don't. If only you had that crystal ball. (Let me know if you find one!)

Every small business owner has a feel for how costs impact profits, but my contention is that they've been trained to focus on the wrong type of costs——those that are exclusively expressed in dollars and cents.

For example, if I asked you (or your accountant!) to list the most important costs in relation to your financial success, you would probably rank them according to their dollar impact on your bottom line. Your list would probably look something like this:

<u>Primary Costs According to Accountants</u>

- Payroll
- Cost of Goods Sold
- Marketing
- Rent
- Insurance
- Utilities
- (Accounting Fees! Ha!)

Every business will differ somewhat, and you can complete your list accordingly. <u>But now, **I'd like to introduce you to my list** of the most important costs in relation to your financial future.</u> I wonder if you'll think it odd that none of mine can be measured in dollars or cents and that none of them show up on the accounting statements your CPA or bookkeeper set you up with.

<u>Primary Costs According to David</u>

- Complexity Costs
- Opportunity Costs
  Switching Costs
- Sunk Costs
- Costs of Intimidation

Complexity is the killer of small business profits, and there is no business more complex than yours. But the cost of complexity doesn't show up on your P&L statement. It resides in the gaps and breaches and inefficiencies that grow up like plaque in your arteries and which I call, *"dark matter."* The opposite of complexity (and its only cure) is simplicity, which while sounding, well, simple. . .is very, very hard and must be a constant battle.

You can't nibble away at the edges of complexity, you must blow it away! That's why I created the ActionMaps strategic framework. An ActionMap allows you to literally move forward with a simpler more focused business model (focusing on your five Critical Cores) and leave all the rest behind. (Trade offs.) If you haven't taken this course, please consider doing so soon. You can find it at our online learning center, www.interiordesignmba.com. Your Edge member discount code to Save $200 on registration is **ACTION200**. (This code may change from time to time. If this doesn't work for you, just log into the "Archives" page at www.edgemembership.com and find the updated code.)

When you find yourself dealing with the visible costs, perhaps even pouring over accounting statements or other reports, you should also become aware of whether you could have been doing something more valuable for your business and for your goals with that time. These wasted opportunities are called opportunity costs, which describe the basic relationship between scarcity and choice. **With severely limited resources amid a world of infinite choices, making the right choices is clearly epic to the entrepreneur.** With limited time and money, each choice made eliminates multiple other choices that *could have* been made instead. **That's why your magic number is so vital.**

But aren't you stuck with your accounting system? Your software, your staff, your office, your reports, and well. . . just about everything else you currently have?

To the extent you think that you are locked in to the results of past decisions, you have fallen victim to yet another hidden cost—— switching costs. Switching costs describe how difficult, and expensive, it would be for you to change from one vendor, product, employee, or process to another. Sophisticated companies like cell phone carriers, and even banks, use switching costs to lock you in to their brand. But in the world of small business, we often do more to lock ourselves in than even the savviest supplier! We lock ourselves in to many processes and workflows because, well, *"That's the way it's always been done."*

Related to switching costs are sunk costs. Sunk costs are expenditures of time, money, or materials that can never be recovered, including emotional investments. Regardless of the specific type, sunk costs impose powerful incentives to hold on to past investments far beyond the point of added value.

Suppose, for example, that after hundreds of hours of research, you opted to replace a generic software product that ran on your Macintosh with an industry-specific program that only runs on a PC. You did the research, checked referrals, went to the training, and in the end, paid $19,000 and invested three-hundred man-hours of your staff's time, and your own. A year later, after nothing but frustration over bugs, the cost of upgrades, and inadequate technical support, you want your Mac back!

But all of your data is in the new, incompatible system! And so is your money——many times more than just the original $19,000. And in addition to the man-hours, there’s a little management ego at stake, given how much energy you invested in convincing your staff how great the new system would be. You can’t just walk away from that enormous investment, can you? Certainly not this soon...can you?

Of course you can! **And you should.** The very nature of sunk costs is that they can never be recovered, and thus, must never be allowed to impact decisions about the future in any way.

None! Sunk is sunk. Sunk costs are never coming back. You must not let the tail wag the dog and throw good money after bad. You must not let emotional issues such as, *“But we worked so hard on it,”* get in the way of building a simpler business for the future.

Once you become aware of switching costs, and learn to ignore sunk costs, you can begin to imagine a simpler, more productive future. If you have no “*investment*” in the past, emotional or otherwise, then nothing prevents you from considering all possible options for the future. **You must begin with a blank slate.** You have no past...only a future. I guess tomorrow’s not overrated after all.

The final cost on my list is yet another one that is not recognized by your current accounting system; it is the cost of intimidation.

Intimidation occurs when you try to avoid feeling ignorant, and while “*ignorant*” may sound like an insulting word, it’s really not. To be ignorant simply means that you lack knowledge or awareness in a given area. If you don’t have a degree in accounting, it’s presumed that you will be “*ignorant*” regarding the complexities of the tax code. Same for quantum mechanics, and no shame in that. If you’ve never taken courses in HTML, PHP, Java, or other Web development languages, of course you’ll be “*ignorant*” about how to develop a first-rate Website. Ignorant has nothing to do with stupid.

So there’s nothing wrong with being ignorant in a given area unless you let it morph into intimidation. For example, doing what your accountant recommends is fine, if what he or she recommends is designed to produce a result that **you** benefit from. On the other hand, doing what your accountant tells you to do because you’re afraid you’ll otherwise look ignorant can be deadly! The same is true for the Web developer and the dozens of other employees and contractors that you engage for areas where they have more knowledge and awareness than you.

Far from being a detriment, your ignorance can actually be your greatest advantage. From the biographies of Steve Jobs, we learn that he was "*ignorant*" in many areas. This gave him the huge advantage of being able to ask for, or demand, exactly the result he wanted without any concern for whether or not that result was "*possible*." Being blissfully ignorant of the intricacies of chemistry and physics, and the limits they imposed on his engineers, Jobs could order them to invent things despite their objections. And because of that, time and time again, they delivered.

Now, as of this moment, you must forget your past. You must begin to imagine the "*perfect*" business. You must understand that the costs that are most devastating will never show up on a financial statement; your accountant may never have heard of them! Master these costs and your dark matter will disappear and your profits will soar!

CREDIT CARD CASH BACK

I'm not telling you anything you don't know here, but one of the great perks of a small business that has a large volume (because you purchase merchandise for customers) is that it can benefit enormously from the various reward programs of credit cards, and right now, those seem more aggressive than ever.

Sure, you've been doing this for years. I've even talked to designers who have managed to put rent and mortgage payments on credit cards. But maybe it's time to think a little more carefully about how to max out this powerful advantage.

I was visiting with a coaching client just last week who was off to Rome for a weekend wedding. I asked her about her travels and she rattled off country after country and made it quite clear that was one of her absolute top goals. (At the top of her ActionMap.) She said that by using credit cards to purchase merchandise for clients she had accumulated over 1 million frequent flyer miles. . . and this for essentially a sole practitioner.

A few days later, I noticed an ad on television for the Capital One Spark card which is now offering 2% cash back on unrestricted purchases. For a man who has preached that *"1% is HUGE"* for two decades, a number 100% greater than 1% caught my attention. (Please keep that in mind for all aspects of your business: A change from 1% to 2% is not a 1% change, it is a 100% change and can be *HUUUUUGE!*)

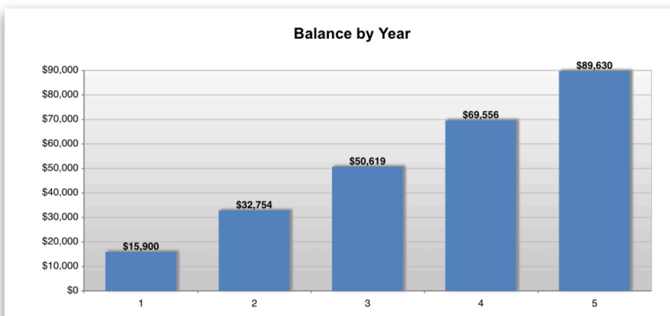
The ad was even more interesting because it showed a small business owner who was so excited that he was able to get about $35,000 cash back, which he used to pay for health insurance for his employees!

You can do the math——just divide $35,000 by .02 to see how much he had to have charged, and the answer is $1.75 million. Now that's high for most Edge members (though we have a handful who purchase more than that) but it's not unusual for Edge members to purchase $500,000, or $750,000 or $1 million a year. And that's just purchases. What about all marketing expenses, utility bills, insurance, rent, vehicles, software licenses and more?

<u>If you believe, as I do, that cash is king, I'm going to make the argument for doing the math on a pure cash-back mentality.</u> I'm not trying to ruin your life, so if you just live for airline miles or some other perk, you can ignore this.

But let me make this case. Getting 2% back on total credit card purchases of, say, $750,000 is $15,000 annually. Let's look at that $15,000 this way:

- You'd have to bill an additional 100 hours at $150/hr to generate that much contribution. Assuming a 50% utilization rate, that's the equivalent of five weeks of your life every year!
- At an average gross profit margin of 25%, you'd have to sell $60,000 more stuff to generate that much contribution;
- If you generate that same cash-back for five years, take it out of your business and invest it at a 6% ROI, **you'll have about $90,000.** (I'm not considering taxes, but who knows, maybe you'll really get smart and put this money into a tax-deferred retirement account!)



Results Summary	
Starting amount	$0.00
Years	5 years.
Additional contributions	$15,000.00 per year
Rate of return	6% compounded annually
Total amount you will have contributed	$75,000.00
Total interest	$14,629.77
Total at end of investment	$89,629.77

So before you book that flight to the Caribbean, just be sure and ask yourself whether you want the trip now, or the $90,000 later. I understand that you may choose the former, and sometimes I do as well. I sometimes follow the advice that *Cuervo Tequila* tells us in their wonderful tagline, *"Tomorrow is overrated!"*

One last thing, I'm assuming you pay off the credit card balances within 30-60 days and never let them build up. If your credit card balances are building up, something's wrong with your pricing/deposit/schedules and we should discuss.

Lastly, if you have a particularly ingenious strategy or favorite card, please send me an email so that I can share it with Edge

Members! I once worked with a woman who financed her entire business with over $350,000 in credit card balances across about 20 cards. I don't recommend that, but she was sophisticated enough to have a spreadsheet that told her just when to transfer balances from one card to another, and she paid virtually zero interest for years until her business was able to pay off all the cards. *Nice!*

A Quick Boot Camp Update

I'm thrilled that registration for this year's Boot Camp is up over 300% from last year which was the first for Edge Members. I can't wait to see 2019!) I'm no longer promoting this event to the general public, but always save a seat or two for Edge Members who change their minds at the last minute and decide to attend. Just go to www.edgemembership.com/bootcamp if that describes you.

The member dinner will be Wednesday, November 14 at 6 p.m. I was very excited about taking you to Joe T. Garcia's, the famous Fort Worth Mexican food restaurant, but we may have outgrown their private dining room. We're looking for backup plans, but don't worry, it will be well worth attending with some awards and much fun. The dinner will either be within easy walking distance from the Norris Conference Center, or we'll have shuttle buses leaving from that same location at 5:45 p.m.

We'll be in touch with you with final details well before you travel. Also, it's not too late to add on the Wednesday sessions. The morning session is the *"Six-Figure Sole Practitioner"* workshop, and the afternoon session is the *"1-Day Marketing Plan."* To add these, just send an email to support@edgemembership.com and tell us what you want to add. We'll email an invoice to you that will also register you for the desired events.

Lastly, the detailed information that you received in your event confirmation can also be found at this link:

https://edgemembership.com/bootcamp_info/

See you in Fort Worth. Yee haw!

Signage...

A preliminary result from my national survey on *Marketing to the Affluent*; few designers think of signage and many work from home which sort of eliminates neon. But those who have great signage repeatedly cite it as a major factor in attracting new clients. If you don't have a sign, maybe you should *"git one."* And don't forget yard signs… Come on! Builders do it. Architects do it. Roofers and landscapers do it. Why not you? Just like photography, add the right to do so to your LOA like one Edge Member I recently spoke to. Here's their language:

The client will allow {your firm} to display a promotional yard sign, if allowed by the neighborhood jurisdiction, on the project site for the duration of the project.

Let the client opt out if they want, but make the default position that your professional, beautiful sign is going in their yard for every neighbor to see every day as they drive by, thinking. . . *maybe it's time for me to do something!*

Dollars or Percentages; Which Matters More?

I love percentages, or ratios, and always begin my consulting analysis by comparing my new client's firm to my benchmark standards with a series of ratios. (A ratio is just one number divided by another which results in a number that can be expressed as as percentage.) After all, this enables me to compare a firm that grosses $300,000 a year with one that grosses $5 million. (We have both types as members of The Edge.)

It wouldn't be useful to note that one of those firms has fixed overhead of $90,000 and the other, $1.5 million, but it might be useful to note that they both have fixed overhead of 30% of total sales.

However, the question of which matters more, dollars or percentages, is actually a trick question. It depends on what business you are in. (Don't you just hate it when I endlessly repeat the single most important strategic question you can possibly ask yourself? And doesn't it make your head hurt when I say that the answer to this question certainly is not, *"interior design!"*)

I was recently reviewing some reports provided by one of the savviest business people among all Edge members. She had broken down her customers and jobs in ways that allowed her to see dollars and percentages broken down by type or category, which she creates by ranking clients A, B, C, or D, based solely on total gross sales associated with a single project.

She wanted my feedback on what the data meant, or might it mean going forward? After I reformatted a little bit, I showed her the following results:

	B (1)			C (8)			D (43)	
Product Income	$95,733	84%		381243	66%		$70,376	33%
Service Income	$17,731	16%		193653	34%		$143,228	67%
Total Income	$113,464			574896			$213,604	
Avg. Prod. GPM	21.06%			26%			13%	
Avg. Serv. GPM	51.95%			46%			87%	
Avg. Tot. GPM	25.89%			33%			36%	
Income / Client	$113,464			$71,862			$4,968	

She didn't have an "A" client during this period of analysis, but had one B, eight Cs, and 43 Ds. The bottom line on this chart (Income/ Client) shows the average total billings for a client in that category. Notice the huge variation from the average size of a B ($113,464) to the average size of a D (less than $5,000!)

Since complexity is the killer of small business profits, and transactions are the source of complexity, I bet you immediately thought: *"43 small clients! Get rid of those!"*

And you might be right; I would certainly look at those skeptically. But do you notice something else? The average total gross profit for the small jobs is 36% versus 26% for the large jobs. That's a 38% *higher* gross profit on the small jobs.

And notice that the percentage of total job size related to "*service income"* (time) is 67% of the small jobs and only 16% of the large jobs. That's an increase of 319%! Did someone say, *"What business are you in?"* Does this firm want to bill time or sell merchandise? Or both?

Or, is the smaller percentage profit associated with the larger client irrelevant, such as would be the case if only total *"margin dollars"* matter? The answer to these questions will go a long way to determining client makeup.

I'll have much more detailed financial analysis on this same Edge member next month, so stay tuned.

Remember to mark your calendar for Thursday, October 25 at 1:00 p.m. Central time. That's the date of the next Edge Member quarterly online special event, and I'm particularly excited about this one. Based on a major national survey of interior designers and my own research, I'll bring you the latest insights on a key topic: **Marketing to the Affluent.**

Now, go earn what you deserve!

David

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