

BDA Tool Six — Preparatory meditation and writing for conference registrants:

Please read BDA Tool Six in the BDA Tools pamphlet, then spend 15-20 minutes meditating on the details below. Are you willing to get clear about how you spend your time and money and to “cut bait” on the efforts and expenses that aren’t paying off?

BDA Tool Six: “We maintain clarity about the overhead and profit margins of every product or service we sell.”

On the next page, we’ll find a consolidated 3-year financial statement for a business started by a DA and BDA member we know, before he started his DA recovery. He joined DA just seven months later and BDA several years later than that. Three months after joining DA, he surrendered this business, the greatest passion of his life, to his Higher Power. As we look at the bottom-line, we might say: “Only a \$4,600 loss after three years? That’s not so bad.”

But it was that bad. Every penny in income went back out in expenses. After three years of 60+ hour weeks, and 100% attention and focus, this business owner had been paid nothing by his business. In years one and two, he had borrowed to pay most of his personal expenses. In year three, he went back to his previous contract service business just to get by. Besides the personal borrowing, there are some debts under some of the business expenses. We’re witnessing a BDA member hitting bottom here.

No one knows if this business owner might have saved his business, if he had gotten to DA and BDA sooner, but we do know that the BDA Tools could have helped. Specifically, there is no way of knowing if any of the three products listed — books, guides, or multimedia packages — were profitable or non-profitable. Although, based on the bottom-line loss, it seems most likely that two of the products were profitable and one was not.

We’re not going to recreate history for this example. But, in hindsight, it’s relatively obvious that each expense should have been tagged with a job code or other designation for which product it applied to. All the cost of goods sold items could have been designated by product. At least a third if not half of the overhead expenses could have been costed out to each product as well.

Obviously, this business owner would have done things differently in DA and BDA recovery. Unfortunately, this member reached BDA and its Tools too late to save the example business. But it’s not too late for us. We can stop hiding from the truth. We can seek clarity about the overhead and profit margins of each product or service we sell. Taking this action might just save our businesses.

BDA Tool Six — Preparatory meditation and writing for conference registrants — continued:

9:35 PM

1/27/2009

Cash Basis

**Anonymous Training Co
Profit & Loss
All Transactions**

	Dec 31, 08	% of Income
Ordinary Income/Expense		
Income		
Sales		
Books	75,088.16	41.0%
Guides	64,450.30	35.2%
Multimedia Packages	43,714.86	23.9%
Total Sales	<u>183,253.32</u>	<u>100.0%</u>
Total Income	183,253.32	100.0%
Cost of Goods Sold		
Amazon and PayPal Fees	20,879.98	11.4%
Printing and Finishing	30,886.12	16.9%
Product Delivery	17,577.10	9.6%
Royalties	25,603.46	14.0%
Total COGS	<u>94,946.66</u>	<u>51.8%</u>
Gross Profit	88,306.66	48.2%
Expense		
Automobile Expense	4,489.31	2.4%
Bank Charges and Fees	2,044.07	1.1%
Dues and Subscriptions	796.90	0.4%
Meals and Entertainment	3,949.72	2.2%
Office Expenses	3,165.92	1.7%
Office Supplies	2,403.57	1.3%
Postage and Delivery	292.77	0.2%
Product Development		
CD Menu Preparation	919.56	0.5%
Content Creation	3,655.00	2.0%
Editing/Proofing	7,362.59	4.0%
Graphic Design	12,026.36	6.6%
Research Materials	10,798.68	5.9%
Total Product Development	<u>34,762.19</u>	<u>19.0%</u>
Professional Development	1,254.52	0.7%
Professional Fees	3,280.00	1.8%
Sales and Marketing Expenses		
Direct Mail Expenses	9,095.36	5.0%
Internet and Email Marketing	8,605.44	4.7%
Product Samples	7,482.78	4.1%
Public Relations	1,284.96	0.7%
Sales Contractors & Commissions	1,206.50	0.7%
Total Sales and Marketing Expenses	<u>27,675.04</u>	<u>15.1%</u>
Taxes and Licenses	2,395.00	1.3%
Travel	6,378.13	3.5%
Total Expense	<u>92,887.14</u>	<u>50.7%</u>
Net Income	<u><u>-4,580.48</u></u>	<u><u>-2.5%</u></u>