

## **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. For instance, there is no way of knowing if any of the three products listed — books, guides, or multimedia packages — were profitable or unprofitable. 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 most of us and our businesses today. 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:**

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Cash Basis

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

|                                           | <u>Dec 31, 08</u> | <u>% of Income</u> |
|-------------------------------------------|-------------------|--------------------|
| <b>Ordinary Income/Expense</b>            |                   |                    |
| <b>Income</b>                             |                   |                    |
| <b>Sales</b>                              |                   |                    |
| Books                                     | 75,088.16         | 41.0%              |
| Guides                                    | 64,450.30         | 35.2%              |
| Multimedia Packages                       | 43,714.86         | 23.9%              |
| <b>Total Sales</b>                        | <u>183,253.32</u> | <u>100.0%</u>      |
| <b>Total Income</b>                       | 183,253.32        | 100.0%             |
| <b>Cost of Goods Sold</b>                 |                   |                    |
| 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%              |
| <b>Total COGS</b>                         | <u>94,946.66</u>  | <u>51.8%</u>       |
| <b>Gross Profit</b>                       | 88,306.66         | 48.2%              |
| <b>Expense</b>                            |                   |                    |
| 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%               |
| <b>Product Development</b>                |                   |                    |
| 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%               |
| <b>Total Product Development</b>          | <u>34,762.19</u>  | <u>19.0%</u>       |
| Professional Development                  | 1,254.52          | 0.7%               |
| Professional Fees                         | 3,280.00          | 1.8%               |
| <b>Sales and Marketing Expenses</b>       |                   |                    |
| 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%               |
| <b>Total Sales and Marketing Expenses</b> | <u>27,675.04</u>  | <u>15.1%</u>       |
| Taxes and Licenses                        | 2,395.00          | 1.3%               |
| Travel                                    | 6,378.13          | 3.5%               |
| <b>Total Expense</b>                      | <u>92,887.14</u>  | <u>50.7%</u>       |
| <b>Net Income</b>                         | <u>-4,580.48</u>  | <u>-2.5%</u>       |