

Understanding Inventory

... will you be a Sharp Business Woman?

Starting your MK business with Inventory is a very important decision. Here is a plan to take you step-by-step in how to start your business as a professional. I want you to be successful, so I will share my opinions with you, but ultimately this is your decision. Your FIRST ORDER is your most important because of all the Bonuses you can earn.

Take note of your first deadline! 15 days from your agreement date: _____

Step 1 Professionalism

Inventory should be a professional decision. If you were opening a Coffee Shop, you would consider your options from what coffee to offer, to the chairs, to the design of your sign, to whom you would hire professionally. In comparison, starting a MK business is minimal in upfront expenses.

Step 2 What are your MK Goals?

Your personal goals will make a big difference in your Store Options. Everyone's situation is different, and I can work with you to come up with the best business plan for YOU!

Answer these following Questions:

- How much money do you want to earn a week? _____
- How many hours a week are you willing to work? _____
- Are you considering this a Hobby? A Part-time Job? Or your Career? _____
- Are you dedicated to your initial and on-going training to be successful? _____

Step 3 Understand the Value of a Store...Sell more and Save time!

You Will Sell More!

- **A woman buys color and skin care on impulse!** Offering on-the-spot delivery will encourage her to get ALL that she wants now, so she can start using it immediately. If you have it, she will buy it. Have you ever gone to the grocery store and bought just milk? The "eye buys" and if she can take it home, she will add more to her order than just a lip gloss.
- **She will call YOU for reorders!** Women do not want to wait for mascara or worse, go without a product while waiting, plus there are drugstores on every corner to compete with.
- **You will be more likely to up-sell her.** If you have the lip liner and lip primer, you can up-sell her to buy more. If you don't have it, you won't think to mention it.
- **YOU will have a professional attitude.** If you have it, then you'll say "check out my stuff."
- **No Cancelled Orders.** If she takes it home with her, then there is no order to cancel.

You Will Save Time!

On-the-spot Delivery. You take the order, deliver the order, and collect the money right then. Deal is done and off to the bank you go! Children understand this concept. Lemonade stands have the cups filled with drinks; they don't post a sign, "Wait while I go inside and have my mom pour some for you."

Step 4 Understand the Benefits of Star Consultant Status



Star Ladder-this is your report card. Every quarter you get a new # to denote how many star quarters you have achieved. Wear it proudly to every MK event.

Star Prizes from MK. Go to www.marykayintouch.com, under "Contests" and "Star Consultant" to see current pictures of this quarter's Prizes.

Picture in the Newsletter. You will be on the Star Consultant Photo page of our unit Newsletter.

Customer Referrals from 800-MARYKAY and marykay.com. Only for Stars.

Recognition at every MK event. It feels good to be recognized for your hard work.

Step 5 Evaluate the Different Package Options

The **READY,SET,SELL** Brochure in your Starter Kit, or accessed at www.marykayintouch.com shows pictures of the Bonuses and suggested packages.

- Simple equation of how much Store that you want to buy or build to, is 2 times your monthly sales. Here's an example: If you want to earn \$200 per week and sell about \$400, then you will want about \$3000 wholesale in your Store.
- The packages are suggestions and you can customize your order. Most new Consultants trust me to place their first order. You decide how much, I ask questions to personalize your order, and I can do the rest.
- Note that prizes can change and values of the Bonuses can fluctuate, so be sure to discuss this with me to get all the current information.

Ready Set Sell BONUS for New Consultants!

WHOLESALE ORDER	DEPARTMENTS & RETAIL VALUE	COLOR 101 GIFT	READY SET SELL BONUS BUNDLES	BizBUILDER BUCKS CREDIT	TOTAL FREE PRODUCT & CREDIT	TOTAL RETAIL ORDER	TOTAL INVESTMENT
Emerald \$4200	FULL Store \$8400	(Must be placed w/in 1 st 15 days) \$115	6 \$620 Retail Value	(credit redeemed on next order) \$125	\$860	\$9135	\$5000 <small>(figures include avg. interest/taxes/shipping)</small>
Emerald \$3600	6 Departments \$7200	\$115	6 \$620 Retail Value	\$125	\$860	\$7935	\$4400
Diamond \$3000	5 Departments \$6000	\$115	5 \$525 Retail Value	\$100	\$740	\$6640	\$3600
Ruby \$2400	4 Departments \$4800	\$115	4 \$430 Retail Value	\$80	\$625	\$5345	\$3000
Sapphire \$1800	3 Departments \$3600	\$115	3 \$335 Retail Value	\$50	\$500	\$4050	\$2300
\$1200	\$2400	\$115	2 \$210 Retail Value	\$35	\$360	\$2725	\$1600
\$600	\$1200	\$115	1 \$115 Retail Value	\$15	\$245	\$1430	\$800

Product Bundles

Color 101



Inventory Planning

LEVEL of INVENTORY		Number of DEPARTMENTS	Skin Care & Color Lines				Specialty Line Products				LIMITED EDITION	
			SKIN CARE	SUPPLEMENTS	COLOR	FRAGRANCE	BODY CARE	MEN'S				
 Emerald \$4200	FULL Store	6	FULL Department	FULL Department	FULL Department	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!
 Emerald \$3600	6	6	FULL Department	FULL Department	FULL Department	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	Closed
 Diamond \$3000	5	5	FULL Department	FULL Department	FULL Department	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	Closed
 Ruby \$2400	4	4	FULL Department	FULL Department	Most Popular Colors	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	OPEN!	Closed
 Sapphire \$1800	3	3	FULL Department	FULL Department	Limited Colors	Closed	Closed	Closed	Closed	Closed	Closed	Closed

Benefits of an Inventory

On the spot delivery provides customers with instant buying gratification.

Product availability provides a higher level of customer service and promotes a greater depth of customer loyalty.

A full stock of inventory provides a consultant with an ideal selling environment and an immediate paycheck.

Inventory on your shelf supports effective time management.

Step 6 Let's Talk About Inventory Concerns

This is over a \$200 billion industry. Women are buying what we sell every day. They just need to know that you have it, so they can buy from you. If you were starting any other business, you could be paying \$2000 just for the attorney or \$10,000 for the franchise contract. At most, a full store Mary Kay start-up is \$4500, a small amount for a new business, wouldn't you agree? Here are some factors to consider ...

1. **Mary Kay offers Consultants a 90% Buy Back.** If you decide to quit and return your inventory, with the understanding that you can't ever rejoin ... Mary Kay will reimburse you 90% of all unopened unused inventory purchased in the past 12 months. Amazing that MK actually guarantees the Business Opportunity!
2. **Fear of failure.** I wish I could wave a magic wand, but I can't. Success in MK is up to YOU. The only way to fail in Mary Kay is to quit or to not try at all.
3. **Fear of Loans and Paying them off.** If you tell people you have the products there, then you can easily sell it. Here are some easy steps to pay off your initial investment, even a \$3000 order in 6 months!

Example of Payoff: If you purchase a Diamond Order (\$3000), you will get over \$600 in free products. Sell the \$600 Bonus at your First parties and reinvest that money into product so you will get \$1200 retail. Using your FREE Bonus ... you now have an EMERALD (\$3600) level store!!

Sell the \$1200 again and then you split the money 50/50 = \$600 (plus tax) to restock and \$600 profit/investment payoff. Do this 6 times and your Diamond order is paid off in less than 6 months. Do it every 2 weeks and you will have it paid off in 3 months. AND if you apply for the Mary Kay Credit Card, you could get 6 months No Interest. So no interest for 6 months and you use the FREE Bonus to flip and payoff your investment!! THIS is a very smart plan.

Here's an example of 5 parties and average sales as a New Consultant—remember that your sales will increase with more training!

Additional Bonus is your future reorder business! 3 people at every party and you hold 5 parties every 2 weeks, then you will have 30 new clients per month. In 6 months, you will have 180 women reordering!

<u>Party Sales</u>	<u>Restock (with tax)</u>	<u>Profit/Payoff/Bus expenses</u>
\$200 in 2 hours	\$100	\$100
\$300 in 2 hours	\$150	\$150
\$100 in 2 hours	\$50	\$50
\$200 in 2 hours	\$100	\$100
\$400 in 2 hours	\$200	\$200
Total 10 hours	Total \$600 MK order	Total \$600 to pay off and profit

Step 7 Suggested Resources for Investment Money

This is a very personal decision of where the investment is coming from. Mary Kay always told us, "When a woman wants something badly enough, she will always find a way." Interest on inventory is tax deductible. I like to ask, "If you had car problems, how fast could you come up with the money to repair a car that could break down again tomorrow?"

Here are a few ideas to consider...

1. **Personal Credit Card**-easiest and quickest. Once the bill arrives you can always pay it off or transfer to a MK only loan or charge. You can use up to 4 Credit Cards to place your first order through my MK desktop software.
2. **MK Rewards Visa**-apply online and you may even get instant credit approval with cc # to use immediately. No annual fee, zero interest for 6 months plus 2% cash back on purchases! Go to www.marykayintouch.com, "Ordering" and "MK Connections" to apply.
3. **Family Loan**-often family members are willing to help you start your business. They can co-sign a loan with you. Or get their permission to apply for the MK Rewards Visa in their name.
4. **Conventional Loan**-from your bank or credit union. Don't ask for a Business loan; just a Personal loan or they will over-charge you. Rates are reasonable and I like the set payments with pay off deadline. Most banks can supply approved funds in 48 hours. If you don't have good credit, then you will have to look at institutions like American General. www.agfinance.com
5. **Secured Loan**-you can use items like cars, boats, stocks, certificate of deposits or other collateral to secure a loan. This often requires a little more time but lower interest rates. See your bank for details.
6. **Hidden Treasures**-find items around the house that you can Pawn or sell on *craigslist* or in a garage sale. Ask family or friends to donate some of their hidden treasures to help fund your new business.
7. **Start Selling Mary Kay**-hold your first party or run a promo like, sell \$24 to 24 people in 24 hours.

Pick your products. Boost your bonus.

Your inventory is only the beginning. As a new Independent Beauty Consultant, you can earn **FREE*** product bonus bundles that you can choose! Plus, you can earn **FREE** BizBuilder Bucks credit, Star Consultant recognition and more. It's never been more fun to start a Mary Kay business.

Here's how it works:

1. Select the inventory level that's right for you and your business.†
2. Choose your own product bonus bundles from those shown here.
3. Place your inventory order and get your business started.

Just look at all you can get with your initial product order!*

ORDER THIS WHOLESALE AMOUNT	Suggested retail value inventory	Free product bonus bundles*	Free wholesale credit off a future product order**	Star Consultant gemstone pin and prizes***
\$3,600	\$7,200	6 bundles worth up to \$620 retail value*	BizBuilder Bucks** \$125	Be an Emerald Star Consultant.***
\$3,000	\$6,000	5 bundles worth up to \$525 retail value*	BizBuilder Bucks** \$100	Be a Diamond Star Consultant.***
\$2,400	\$4,800	4 bundles worth up to \$430 retail value*	BizBuilder Bucks** \$80	Be a Ruby Star Consultant.***
\$1,800	\$3,600	3 bundles worth up to \$335 retail value*	BizBuilder Bucks** \$50	Be a Sapphire Star Consultant.***
\$1,200	\$2,400	2 bundles worth up to \$210 retail value*	BizBuilder Bucks** \$35	
\$600	\$1,200	1 bundle worth up to \$115 retail value*	BizBuilder Bucks** \$15	

Product Bonus Bundles



TimeWise® Skin Care Bundle



Mary Kay® Favorites Bundle



Botanicals Cleanse & Hydrate Skin Care Bundle



Mary Kay® Color Bundle



Botanicals Freshen & Mask Skin Care Bundle

* An Independent Beauty Consultant's initial order with the Company must equal \$600 or more in wholesale Section 1 products to be eligible for a free product bonus bundle. Sales tax is required on the suggested retail value of the Section 1 products included in the bonus. Please include the actual value of the bonus in the total amount subject to sales tax on the Consultant order form. The initial order must be received and accepted by the Company in the same or following calendar month that the Independent Beauty Consultant Agreement is received and accepted by the Company.

** Suggested wholesale value to use on your next BizBuilders qualified order of at least \$400 wholesale (\$600 suggested retail) as long as the order is placed while the Independent Beauty Consultant (IBC) is still in active status. An IBC is considered "active" in the month a minimum \$200 wholesale Section 1 product order is received by the Company and in the following two calendar months. The credit will expire upon the expiration of the IBC's active status.

*** Once you achieve \$1,800 in wholesale Section 1 orders received and accepted by the Company in a contest quarter, you are eligible for the Ladder of Success pin, one gemstone and a contest prize. See the Star Consultant Program brochure for complete details.

† Purchasing inventory is an individual decision, and it's certainly not a requirement for you to begin your Mary Kay business. We always recommend that you determine what activity level you plan to pursue in your Mary Kay business. Then, if appropriate for your personal circumstances, invest in a level of inventory that supports that activity.

HOW TO APPLY FOR THE CHASE VISA MK CREDIT CARD



(Start at #5 if you have already created a MK password for www.marykayintouch.com)

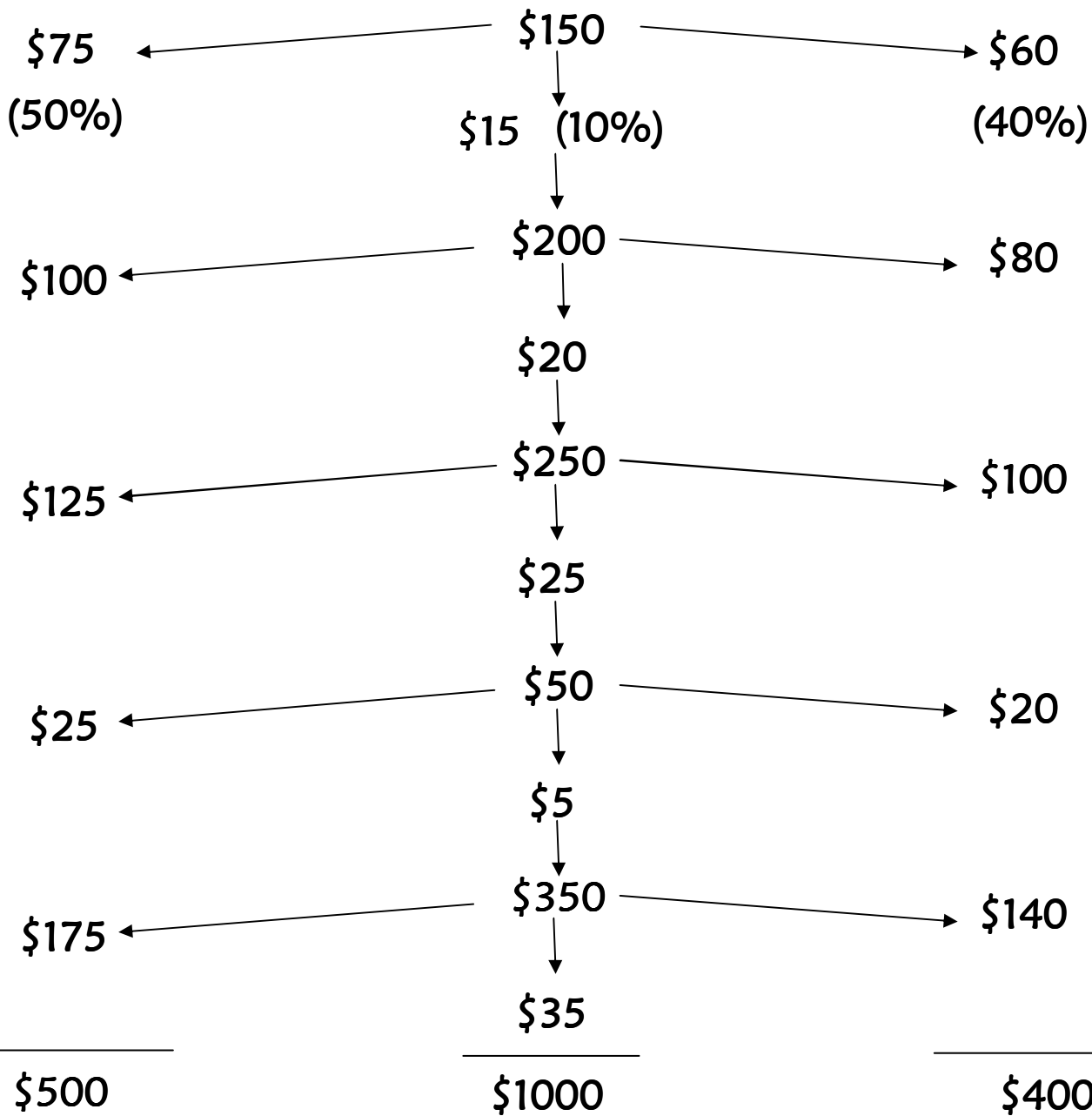
1. Login to www.marykayintouch.com and enter your consultant number. Leave the password blank and hit the connect button.
2. Verify your social security number and mother's maiden name and then create your own password.
3. Answer your "Customized Look" questions for your FREE Color 101 Compact, to be received when your \$600 or more wholesale order is placed within 15 days of your agreement date.
4. Bypass the "website and business cards" option ~ just hit "come back later."
5. When you finally get to the home page of marykayintouch.com, the top left corner has a link for "Ordering" where a drop down menu will reveal "MK Connections." Click the link.
6. Click on VISA MK Credit Card link.
7. Click on "Apply."
8. When you apply, make sure everything is perfect before you hit the submit button. Do not hit the stop, back or refresh button while they are processing your application. You will not receive instant approval if you do this.
9. Once you are approved, WRITE down the credit card number and expiration date and THEN print the screen shot. If you lose the number for any reason, federal law prohibits CHASE from giving you the number over the phone and your card will not arrive for approx. 2 weeks.
10. You will receive a temporary limit (usually \$1,000) so call (800) 216-1129 immediately to find out what your final approval limit is. You will also want to activate your CC at this time. You may need to press 0 to speak to a customer service representative.
11. Activate the card by calling and answering all the questions the representative asks you. They will want your account number, expiration date, etc... and then they will begin a series of questions that are more like a personal interrogation of your person. Once they are done, your card will be active. Also, you do not need your card in your presence in order for them to activate it. If the representative requests this, then please ask to speak to a manager and explain the instant activation perk for the MK Chase Visa Card. Remember, call centers have high turn over and not all representatives are trained with our specific product.
12. A few recommendations:
 - If your spouse has a higher credit score, let him apply and order a 2nd card in your name.
 - Make sure your GROSS household monthly income is your "before tax" income for the both of you. You may also include anyone's income that lives in your home.
 - If you or your spouse's credit score is lower than 600, you might want to research other options. The underwriting guidelines are rather strict.
13. Why I recommend this card:
 - It has instant approval so you can order your product and start your business immediately.
 - Maintain all of your expenses together: website, business cards, and business supplies.
 - After the introductory period of 6 months, a good standing customer can call and request an additional 6 months at 0%. I do not know the specifics of getting approved for this.
14. Other Credit Card options:
 - US Bank (Lynn can email you the application process if you would like)
 - UMB Visa Credit Card (0% first 6 months then goes to 10.99%, has reward points and double rewards points on eco friendly purchases (Contact Danae Parker Customer Service Manager (816 220-7230)
15. Call me for assistance in placing your order!



MONEY MANAGEMENT

100% OF RETAIL SALES

50% Reorder & Restock 10% Supplies, Sect. 2 Workshops, etc. 40% Your PAYCHECK!



50% reorder
Stock shelves

100% Total retail sales
10% = \$100 for supplies, etc.

Loan payment
= Your Paycheck

New Independent Beauty Consultant Inventory Worksheet

Before reviewing the ordering options featured in this brochure, you may want to complete this inventory worksheet with Lynn.

The worksheet is designed to assist you in determining your ideal inventory investment.

1. What are your Mary Kay goals? Check the answers that best apply to you:

Desired Monthly Earnings

- \$1,200+ = 4 points
- \$800 to \$1,199 = 3 points
- \$400 to \$799 = 2 points
- \$100 to \$399 = 1 point

Selling Appointments

- 3 or more appointments per week = 4 points
- 1 to 2 appointments per week = 3 points
- 2 to 3 appointments per month = 2 points
- 1 appointment per month = 1 point

Success Meetings

- I am committed to attending success meetings each week. = 3 points
- I plan to attend success meetings twice a month. = 2 points
- I plan to attend success meeting when they fit into my schedule. = 1 point

Goals (check all the apply)

- I would like to build a solid base of customers. = 2 points
- I would like to earn the use of a Mary Kay Career Car. = 2 points
- I would like to become an Independent Sales Director. = 2 points
- I would like to replace my full-time income. = 2 points
- I would like to have a little extra spending cash. = 1 point

2. Calculate your points to see the suggested inventory category for you.*

- 13 points or more: \$3,600 wholesale category or more
- 12 points: \$3,000 wholesale category
- 11 points: \$2,400 wholesale category
- 8 to 10 points: \$1,800 wholesale category
- 5 to 7 points: \$1,200 wholesale category
- 2 to 4 points: \$600 wholesale category

Name: _____

**This Inventory Worksheet provides suggestions to assist you in determining your ideal inventory investment. Your ultimate decision is completely up to you and will likely depend on multiple factors that may not be represented on this page.*

