Hi, I'm Angie Viehman and welcome to Totally Clutch. This is the podcast for women like you to find ways to simplify your business and personal life. Before we dive in, check out our latest course that helps you launch an online boutique in less than five hours by visiting www.thecompleteonlinestore.com/introtraining, start a side hustle or work to replace your full-time income so you can quit your job. If you enjoyed this episode, be sure to subscribe so you're notified when a new episode is posted. rate and review this podcast and share it with all of your friends. Thank you so much for listening. And I hope you're leaving with some great things that can help you move from hustle to flow, because I believe in you and your business. Until next time.

00:54

Welcome back to another episode of Totally Clutch, the Clutch Businesses Podcast and vlog. I'm your host, Angie Viehman. And today I want to share with you four ways that you can build a business that lasts. And our conversation today lays a really nice foundation for our next episode where we have a really special guest Luis Baez on the show. And basically, in today's episode and our next we're going to be flipping the script on what we think will make our business successful versus what the numbers actually say. So with that, I want to share with you some some kind of jaw dropping facts before we dive in. So the first is that 50% of small businesses fail within the first five years of starting. Wow, that's powerful! You put all this time and energy and love and passion, just everything that you've got into building this business, because that you believe in so much, and you've only got a 50% chance of it making it. Those numbers don't seem good. But the good news is that we actually know why those businesses don't succeed, why they don't make it. And so we'll talk about those today. And we'll talk about ways that you can avoid that fate for your business and ensure that this amazing, incredible idea, this amazing business that you've started, is built to last will stand the test of time. Okay, so then then the second fact that just, this one just surprises me so much. And it really, yeah, it's powerful, it sends a message.

So in the first year, high earning businesses, so businesses that make a lot in revenue, invest more in building teams than they do in marketing, or on marketing, than low earning businesses. So businesses that don't make it very much in their first year. And this is just the first year but those that don't make a lot in their first year actually invest more in marketing than they do in anything else. So high earning companies in the first year invest in building infrastructure and teams, whereas low earning businesses spend a good percentage or the largest percentage on marketing, or I guess a better way to say it is that they spend a higher percentage than the average on marketing and less on teams. So that's so interesting for me, because I think a lot of business owners think that marketing is the ticket. That's where they should be putting all of their energy all of their time. And don't get me wrong. Marketing is very, very important. But it's also very important to build a system that is going to support all of those efforts. So as you're building an interest and encouraging people to come in and check you out, you've got to make sure that you're providing them a good experience.

So we'll dive into kind of what could be driving some of that, as we talk through what could hold the business back from making it past five years. Okay, so let's talk through, I've got four. So the first thing that shows up in these businesses that don't make it past five years, is a lack of capital. So this could be I'm sure it's different for every business. But overall, this could be that they're not clear on on how much money they actually need in order to get this thing off the ground. So they maybe underestimate the amount of resources, the length of time it's going to take to you know, to build up some momentum or they underestimate the amount of money that they're going to need to invest in people in staff or maybe in developing the product or the service itself. But the bottom line is they don't have enough money to get it off the ground in a way that is sustainable.

So a lot of companies might have enough capital for the first six months. But, you know, if they don't start generating the revenue that they plan to generate after that six months, then they don't really have a leg to stand on, they can't sustain that. Okay, the second, so we've got lack of capital, we've got poor management is the second. So they don't have the right team in place, or they're not managing that team well enough to, to to create a sustainable structure, a sustainable business. And that could mean that they're not utilizing those that they have in place to their fullest. Or it could mean that they aren't making the hires that they need to in order to meet the demands, you know, I'm sure there's a couple of other options, but those are really the two main ones. And so you can think about it, it's hard to hand things off, especially as an entrepreneur, and especially as somebody who wore all the hats at the beginning, it is hard to hand those hats over to somebody else, and trust them to do as good of a job as you did. And to really take it to heart in the way that that you do, because it's not their business. So, you know, if you're under utilizing those that you have in place, or you're not willing and hiring people is scary, it is a big investment, it's a big emotional investment, it's a big financial investment. So just getting really clear.

And let's jump into the third one, before I go too far. But so the the third reason, or the third thing that shows up in in the companies that don't make it are that they don't have a solid business plan in place. So they never created one or they, they kind of halfway did. And this ties into poor management in this way that I think when you're creating your business plan, and we'll talk about all the things that go into that, but when you're creating your business plan, I think it's the best time to get to just be really honest with yourself about about the resources that you're going to need about the team that you want to have in place to support this amazing vision that you have this amazing plan and, and strategy and in business that you're creating. And the reason being is that you're creating, usually creating the business plan before, before things get rolling, right before the doors open before the clients show up all of that kind of stuff. And so you have a really nice objective viewpoint of it, that you're not in the mix, you're not in things that haven't gotten messy, you're not like pulling your hair out or running around like a chicken with its head cut off. So you've got a different perspective than you do your six months after, after you have your first client where things are getting a little crazy. So lack of capital, poor management, and then not having a solid business plan.

So let's talk about all the things that go into a solid business plan. So the first is you just a general a general statement, a general idea about the business that you're creating is are you selling products? Are you selling services? Are you selling a mix of both? And what what are they? And who are your clients going to be? Who are your customers going to be? All of those types of things, you know, that's creating the general vision of what you're what you're building, then you want to get really, really clear, really detailed about the products and the services that you're going to be offering. So what are the products? How many of them? Are there going to be? What are the services, when are you going to be launching them. So is everything launched, the second that you that you say the doors are open, or you know, are you going to start out with one and then you know, six months later, release the other, and so on and so forth, we're going to get really clear about that. And then you're going to do some market analysis. And this basically is going to tell you whether or not you have a viable product or whether you have a viable offering, I'll just say. So whether it's a product or service. And this market research can also be a really great place for you to get clear on the messaging that you can use for your potential and future customers. So you can sort of pull out the language that they're using. And also that you're you're offering to make sure that it's something that they need and that they want and they can see the value in it. And then you want to make sure that you have a clear strategy and a clear implementation plan.

So how are you going to make that strategy come to fruition? And again, you're not in the mix at this point. You're you have a beautiful objective view of what it's going to take You know, to create that strategy to make it all happen. Instead of, you know, when you're, you know, not sleeping, you're, you're putting out all of these fires, you've got, you're being pulled in 50 different directions, this is all happening before that goes down, right? So you can be really honest with yourself, you can be really objective and be really detailed about it, knowing that it can change, right. So just because it's in your business plan doesn't mean that things can shift. But when you've got it documented and written down, it's gonna be harder for you to have the, you know, the shiny object syndrome, where you're just like, jumping from thing to thing all the time. You know, every every decision that you make can always come back to this this business plan. Like how, okay, so I make that decision? How is that going to impact all of the other things in my business, which is a super, super healthy and an effective way to be making decisions in your business?

Okay, then we get to talk about what we were talking about in terms of the management, or lack of management is getting really clear on the team that you need to build the team that you need to have onboard to make all of this stuff happen. So, again, happening before, you know, before the business is live, and rocking and rolling, get really clear on, you know, do you need all of this staff right away? Or can you trickle them in you? Maybe you bring somebody on? You know, after two months, maybe you bring them on after a year? And what are those actual positions? So what tasks, What things? What vision Are you going to need from somebody else to make your plan all come together really nicely? Okay. And then you want to make sure that you're clear on your financial plan and your sales projections. So where are you going to get the money to do this? How much money do you need in order to do it? And then what are your sales projections? What are you planning to make in terms of revenue? How many clients do you need? How many customers? How many people do you need to buy? What you are offering in order to make that happen? And when do you think that's going to happen? So are you going to have 20 purchases the first month and 40? The second I go, you know, what? What kind of growth Are you planning for? Okay, so we've got lack of capital, we've got poor management, we've got, you know, kind of a shot he business plan.

And then the fourth thing is overspending. So spending too much in areas that that are not paying off in the way that you need them to. So overspending, basically the categories of spending that I've got, and you know, this varies obviously, by business and by industry. But we've got operations, you've got product and shipping if you're doing a product base business. But even if you're doing services, sometimes there's there's costs associated with that. So you've got operations, product and shipping marketing, and then your team or your staff. So we talked about when I'm sharing the facts with you how the companies that that didn't earn as much the first year overspent in their marketing. So how that works, or what that kind of tells you is that maybe their messaging is off, or maybe their website isn't converting. So if you find yourself overspending in some of these categories, it doesn't necessarily it's not a make or break it right, you have the option your small business, you can pivot, you can swivel, you can make changes, but you want to make sure that you're that you're watching those things that you're aware of those numbers. And you're aware of the levers that you can pull in order to create or to impact change, right and to impact the outcome, and level things off for yourself.

So just to give you a rough idea, that operations category, you want to you want to be spending about 10 to 15% of your overall revenue on those things, the product and shipping. Again, this only comes it really only comes into play if you're are a product based business, but you want your product and shipping to be 40 to 50% of your overall revenue. And anything higher than that gets a real dangerous. So if you're in the higher category, or you're in the higher threshold, we started to partner with your vendors and see if you can get your costs down. See if you can shift your assortment so that you're not spending you the items that you have lower margin on people aren't buying as much of you there's there's tons of things that you can do but basically, you don't want to be spending more than 50% Have your revenue on your product and shipping costs, and then your marketing costs, you want to be in the range of about seven to 12%. Anything higher than that means that you've got a bit of a problem, you're not converting people in the way that you should be. And so you're just kind of dumping money on something that's not proven, basically. So you got to kind of, you don't have to completely go back to the drawing board, but start to pull those levers start to you start to ask questions of your of your customers of your clients. And this actually, I should have said this at the beginning, but this is a common theme in all of the episodes that we're going to be doing an unintentional theme, but an unintentional theme in all of the episodes of this year is connect with your customers connect with your clients don't make assumptions about what they need about how what they're looking for, ask them, and that not only makes your marketing more effective, but it also makes the experience richer for your customers.

So rather than having to find new customers all the time, you're developing this really beautiful relationship with them. And so you'll hear more about that in in episodes to come. But check in with your customers, make sure that your marketing is hitting and connecting and doing getting them to do what you know, they want to do, right. That's why we're all here, you have an amazing offering, you have something that you believe in that you know is going to solve somebody's problem change their life, whatever it is, you just have to make sure that they know that and talking to them is the best way to figure out how to do that. Okay, so we did operations, product, shipping marketing, and then your team, you want to be about 14, let's just say 15 to 30% of your of your revenue. And that ensures so you know, using these percentages, you if you're watching them on a regular basis, and that could be you know, every week, that could be once a month, but you want to make sure that you are looking at them because you there are levers that you can pull. If you're if you're spending less on your team, then you know, then 15 to 30% you probably are going to be hitting some bottlenecks, you're probably not maximizing your revenue potential. And, and you're holding yourself back. And so that's okay, we've we've all been there, we've all done it. But once once you realize that it's there, then the reckoning hits, and what are you gonna do about it? How are you holding yourself back? And how can you step into that?

How can you get comfortable with bringing people on? Is it making sure? Is it getting comfortable with the right person, like the right role? Or is it just getting comfortable with having people in your business doing stuff that you have done? So using these as a checks and balance basically, and again, if they get off? No big deal? Just correct. Make sure that you are correcting? This is just a problem to solve? It does not? It doesn't mean anything about you. It's not personal. It's happened to everybody at some point in their business. Right? Okay. So I just want to go over these, again, the things the things that have shown up time and time again, in businesses that do not make it past five years are a lack of capital, poor management, or business plan, and overspending. So what can you do? I mean, we've talked about this, you know, throughout, but the lack of capital, or actually, let's start with a solid business plan, because I feel like this is where it all stems from, get crystal freaking clear on your business plan, put in the time and the energy to lay it all out in as much detail as you possibly can. And maybe then show it to an accountant or you know, somebody, somebody with some financial savvy, that can that can vet it for you that can say, you know what this looks like it might be a little bit of a problem, just so that you know that it is solid, because then again, you can use that as a just a place to make all of your decisions.

You can use that as a place to track your performance to see where you're going. And then you know, you'll know where you're going to end up. Okay, so start out with your business plan, crystal clear. If you're already in business and you don't feel like you've got a solid business plan, no big deal. Again, just take a CEO day and lay it all out and get clear and that'll make a huge, huge difference. So the reason I say that is okay, so lack of capital You're going to know exactly what kind of capital exactly when you're going to need it. If you've got a solid business plan, and if things look like they're going to be short, that's okay. You just go out and find it you like, you know, is it dipping into your savings? Hopefully not, but maybe, is it shifting finding grants, finding investors, whatever it is, you've got an opportunity to correct. Okay, so business plan, lack of capital, or let's, let's shift this, let's talk about it in a positive light, because this is how you're going to change the way you're going to change the outcome of your business. So make sure that you have a solid business plan, make sure that you have a solid plan, that you have enough capital to support your vision, and your strategy, and everything that you're going to need to build and sustain this awesome business.

And then make sure that you are a kick ass manager that you've got kick ass managers in place, and that people are clear on their roles, their responsibilities, and that your processes are solid, right. And that might mean bringing somebody in to help you do all of that. But just make sure that the people that you're paying that you're using them to their fullest potential, and make sure that you're bringing people on when you need to, and then spend the right amount in the right areas at the right times. That will ensure that your finances are solid, that your revenue is coming in that you've got everything, you've got everything tied up in a nice, neat little bow. And then you can weather the storm, okay? So find your capital, make sure that you are managing like a rock star, have a solid business plan and maybe share that with this, that awesome team that you bring on so that they're all clear. And then watch your spending and make corrections where you need to.

And that, my friend is four ways that you can build a business that last. And so if you've got any questions, I hope that was helpful. If you've got any questions, feel free to reach out at Hello at clutch businesses calm. And be sure to tune in to our next episode with Luis Baez. And he's flipping the script on so I love that his episode, he talks about meeting your new boo, your business order of operations. So rather than again, focusing on marketing, first, he is going to talk to us about and share with us how we can build a really solid product a really solid offering from the very beginning. And that then is the launch the catalyst for this, you know, for your business to just thrive. Alright, well,

22:46
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