Peter Margaritis: Hey, welcome back everybody. I’ve got a return visitor with me today. And actually, when I looked at the calendar, it's almost. Today is November 6th. It's almost one year to the day that interviewed you last year for my podcast. And I can't believe how time flies and my guest today is Ken Wentworth, otherwise known as Mr Biz. Welcome, Ken.

Mr. Biz: Thanks, Peter. Yeah. Actually, I can't believe that. It's actually been almost a year. Yeah, it doesn't seem like it's been that long at all. But I think perhaps the pandemic is, you know, erased time in our minds in some way.

Peter Margaritis: I, I believe it has because I will have to say this year has flown by. And I was saying something to my wife the other day, she said, ‘I don't want it to fly by.’ I said, ‘The quicker we get out of 2020. The quicker we get to a vaccine. Let's get the hell out of this place.’

Mr. Biz: Yeah, yeah, yeah. I mean I hate to wish time away. I'm always hesitant on that as well but oh my gosh. Plus you see on social media, all the hilarious memes people have created. 2020 this. 2020 that. It's funny, I just saw one yesterday that I hadn't seen before. I don't know if you're familiar with the movie Reign. I think it's called Reign of Terror. Reign of Terror, Reign of Fury, something like that. Ah, Christian Bale was in it, I think. And it was that it was probably 15 year old movie. It was set in the year 2020. In the movie, there are flying fire breathing dragons. So, someone put a clip from the movie. And they said, hey, by the way. Just so you remember. This movie was set in 2020 and it had a picture of a fire breathing dragon flying. They said the dragons are yet to come, so brace yourself.

Peter Margaritis: Please no. Ken and I were having a conversation, maybe about three weeks ago or something like that. And I didn't really realize that Ken can see the future, in some ways, in his clients are referred to as Nostradamus. And which is why I wanted to get him back on the podcast, because he's got a very interesting story on what he was doing with his clients back in June of last year, right?

Mr. Biz: Yeah, actually, like, April, May. Yeah a little couple months earlier than that. But yeah, we, you know, and I have to honestly. For this, I have to thank the guy who was my mentor, who didn't know he's my mentor, Jamie Dimon the CEO of JPMorgan Chase, because I worked there. And I learned a ton from him even though most times it was that distance. I didn't get to be with him here and there a bit, which was actually very intimidating. I should add. Super intelligent guy, very charismatic. But anyway, you know, one of the things he preaches all the time is to have a fortress balance sheet. And it came to fruition and, you know, he preached that talk about it, talk about. Ever since he had taken over at that time, back then, back one in 2000, he talked about we're going to build a fortress balance sheet. And even as an accountant with an accounting degree undergrad, you know, okay, fortress balance sheet, I get it, I get it almost became cliched. And then all the sudden fast forward to 2008-2009 when the economic downturn hits and holy crap. I got to see a fortress balance sheet in full working order in that because we had prepared for that. We were able to, and I say we, at the time I was at JPMorgan Chase.

Mr. Biz: We were able to make two acquisitions at… I won't say pennies on the dollar… but dimes on the dollar in, you know, buying Washington Mutual in buying Bear Stearns. Because they were not prepared. Neither one of them had a fortress balance sheet. And so, they got into a distressed situation. And we had the capital and wherewithal to be able to make a purchase and save both of those companies from bankruptcy. And so I saw it. All sudden all came to, you know, sort of that, “Ahhhh…” , you know, moment where it's like everything comes to fruition. It's like, holy crap, this is really important. And so, it really made an impression on me. So I since I've become a, you know, an on demand CFO. I really looked at and that's look to do that. And that's what I did last year. Was I started to, you know, talk to all my clients at the time about hey we got to make sure and we'd always been working on building our balance sheet, but I really wanted to make a concerted effort because I said there's an economic downturn coming. I don't know when it's going to happen. I don't think it's gonna be anywhere near as severe as 2008-2009. This was me last year saying this. And it's funny, all my clients are like, ‘Oh my gosh, apparently! Paul like Geez!’

Mr. Biz: Like what he's talking about. Because, for lack of a better term, they become fat dumb and happy because of the 10 years of economic prosperity that we had all enjoyed. And so, everything's great. And everything grows every year in revenue goes up every year and you know we all spend more and hire more people and blah, blah, blah. And I said, Look, I'm not trying to be negative. But part of my job is your CFO is, you know, risk management. And I'm not saying this to be pessimistic. I'm saying, and it's part of the business cycle. We're actually overdue, well overdue, for a downturn, right? Typical business cycle over time has been about five years. And we had been 10 years in. So we're well overdue. So I began preparing them and saying, ‘Look at the earliest I think this is going to happen is July 1 of 2020. So I want to make sure that we are prepared for July 1 of 2020 that we will have a 20% drop in revenue.’

Mr. Biz: So what does that look like, and then it could get worse. And so, I ran out scenarios for them, starting with July 1, 2020, out 24 months. Figuring a downturn again historically last 18 to 24 months. Let me go worst case scenario here. And go to 24 months and run it out, and run cash flow projections and saying okay if we lose 20% of our revenue and then it goes to 25% and even 30%. Over time, what does that look like that 24 months? Can we stand that? Do we have to tap into a line of credit, you know, we don't want to do those things? We're going to lay people off? Obviously, don't do those things if you don't have to. So again, they're all telling me I'm Paranoid Paul and, you know, whatever. And then again, fast forwarding a little bit. You know, we get to March and the pandemic hits, and then everything goes. you know. The crap hits the fan, as they say. And then all sudden my clients are like, ‘Oh my gosh. You're a genius. You can see the future.’ I'm like, Well, hold on a sec like, I didn't know there was gonna be a pandemic. I didn't know this was going to cause an economic downturn. That's not what I expected at all. I just thought the normal economic flow is going to cause it. They're like, No, no, you should take credit where credit's due. This is great, you know, we're prepared for this. And I will mention so that two of my clients now. One has made two acquisitions in the last six months of competitors that did not have the same scenario. Right, Peter? If they did not have the fortress balance sheet, they couldn't make it through the pandemic.

Mr. Biz: They couldn't make it through the pandemic and so at first blush, you say,’ Oh, well then that's, you know you're taking advantage of someone's, you know, downfall.’ No, it's complete opposite. Think about this businesses that they're going under. Now, is it a benefit for us, of course, because now we can acquire assets. Right? Trucks on the road for a service business, for example. It is deeply discounted rate because they're liquidating their assets. It's of course, but think of the people in those businesses that we're losing their jobs, and we say, hey, wait a minute. We need you.

Peter Margaritis: Right.

Mr. Biz: Come over here and work with us, because we have this volume. We're taking on the volume. Now that you are business cannot no longer do, and as we take on that market share and that additional volume we need people. So, come over here, you're not losing your job. Now we get a seasoned pro in the industry. We save their job. We increase, you know, we grow our business, so it's really a win win. So one acquired me, two acquisitions last six months. And another one, their top competitor in the market, went out of business, which they were the two of them in their market control about 60% of their market in their geography. So now all of a sudden, we’re 60% because we acquired that business. And again, we were able to keep everyone but one person, and it was the owner. And the only reason we didn't keep him was he's in his 60s, and he said, look, I'm tapping out. Write me a check. I'm tapping out. Like I'm good. He said, ‘I don't want, I don't want to stick around until the next, you know, downturn. I'm good. Like this. It's a good time for me to make my exit stage left and be good.’ So, so was it was a really good, you know, win-win as I looked at it. We saved those jobs for those folks. And obviously, you know, does benefit my clients as well but I think it's very, very important to always keep that in mind and make sure you're ready for those things as best you can.

Peter Margaritis: So a couple of these fly in my head as having a discussion. What's the opposite? What's your definition of the opposite of a fortress balance sheet?

Mr. Biz: I have to think about that. Is that like a plastic balance sheet?

Peter Margaritis: A leaking balance sheet.

Mr. Biz: Yes, there you go. That's a good one.

Peter Margaritis: Yeah, yeah. So, but what you know as the thing about part of my audience that you know may not get the whole conceptual idea here, other entrepreneurs or whatever.

What causes this leaky plastic type of balance sheet and how can you avoid that and turn it into more of a fortress type of balance sheet?

Mr. Biz: Yeah, I mean, the biggest things again simplistically without getting too deep into the weeds simplistically is making sure you have an adequate cash reserve. And it's a really delicate balance, though, especially right now with interest rates so darn low. I want to make sure that my clients have a good reserve cash balance, but I don't want it to be too big.

Mr. Biz: Because it's almost useless, right? You've got a parked in let's say savings account or something that's easily liquid, and it's earning nothing. It's doing nothing for your business. It’s not helping you grow the business. It's not earning any money for you. So there's a balance there for sure. What I try to do is we keep a certain…so we determine how much we need it, depending on the business and their normal expenses and things like that. What their balance reserve should be in cash? And then we take that balance and we say, Okay, we're going to keep this much in a highly liquid account, such as a savings account. Let's say, which is, you know, .15% interest instead of .1% or .05%, and checking, but nonetheless. And then when we take a chunk of it and we put it into something that's semi liquid. I'll call it actually, it's pretty liquid, but something that you can get to a within a week. So, if you've got some sort of mutual fund that's maybe in a very safe account, but it's earning at least a couple percent for you. And not .15%.

Peter Margaritis: Right.

Mr. Biz: And then the other big piece of it is…another second big piece is making sure that you're, you know, you're not leveraged. You're leveraged isn't too high. So, you don't know what I mean by that is if you have debt. Let's look to get the debt down because that becomes a big burden. When you run into a situation where revenue stream your pipeline starts to dry up and you have lots of money coming in the door. But you have these fixed debt service expenses you to make for, you know, whatever that you might have. So really looking to get those down to a manageable level. Frankly, if we're going to zero be great. But, and I'm not ultra conservative in that, you know, I think that is good when it's helping you grow your business, right? If it's revenue growing debt and it's cheap. Let's do it. I'm all about it. But in this situation with that, you know, we want to make sure we're liquid. And we could even be a position where we've got enough of a cash reserve to where if we needed to we balance it out between…Hey, how much debt we pay down to reduce our monthly expenses, fixed expenses to take it out cash you know that. Again, it's a delicate balance and it varies for every business is different. Depending on their normal run rate of expenses and everything. But those are the two biggest things is being as simplistic as you can about it to really shore those two things up to make sure in a good position.

Peter Margaritis: The one is a terminology that I heard a lot from a lot of my speaker friends, where this all came about and pandemic hit and businesses, you know, gigs were being cancelled. And all of a sudden I keep hearing, ‘Wow, I really need to figure out what my burn rate is.’ Yeah. So, basically what you know and people have asked me. So, I said, Well, you've got certain expenses that are reoccurring, right? So, you look at the recurring expenses and cash flow that out. And can you at least cover that and if you can't, you need to whittle those downs are they necessary for your business.

Mr. Biz: Mm hmm. Yeah. I will say along those lines is one of the other mistakes I see in that scenario that businesses make just oh my gosh too often. Is okay and I'm sure a lot of business owners went through this and maybe not in March, but April, May, June timeframe is they say they start to see that burn rate. Right?

Mr. Biz: They didn't know what it was before then they got smacked in the face with it right out pretty quickly. You know what that meant what it was. Yeah, they got burned. Exactly. There was, there was they smelled a singeing smell. And they're like, What the heck is that, oh wait my pants.

Mr. Biz: And one of the mistakes I see business owners make too often is when that happens, so revenue starts to decrease and you panic. And when it finally hits you, that day that it hits you, and you panic and you go, holy crap I have to reduce my expenses. Of course, right, you need to do that. However, I like to take a two pronged approach when it, when reducing expenses in that is the worst thing you've got you can do. And again, this is what too many people do is they begin to just almost not completely indiscriminately, but almost indiscriminately reducing expenses. And caution everyone against that, because here's what happens. The last thing you want to do is reduce expenses that may impact future revenue.

Mr. Biz: So, your revenues already down and then you start to reduce expenses that have a direct impact on your future pipeline. So now you've just created a massive, you know, vicious cycle circle of…Okay I reduce my expenses by 20% but now that, in turn, reduce my pipeline by 10% now my revenues down even further. Crap, I need to reduce expenses again. Right? And you just keep the… it's terrible. And so how to avoid that. Two quick things. When I look at cutting expenses. I look at we literally go down every single line on the P&L. On the expense side and say okay we score each line on between one and three. Does it have a direct impact on revenue? Does it have an indirect impact on revenue? Or has no impact? So it gets three, two or one? And then we look at it. Here's another thing that could kill revenue, customer service. People overlook this a lot of times, and then they say, you know, customer service, you'll retain customers, then right? Right and people leave you. I just saw a statistic 62% of people who leave you, they leave you due to customer services issues not price.

Peter Margaritis: Right.

Mr. Biz: Which everyone thinks this … And price is part of it, but it's not the majority. So, you want to make sure that when you're cutting these expenses. You're not killing your customer service, which is going to kill your retention, which again is going to have a downstream impact negative on your revenue… future revenue. The same thing and say, ‘Does this have a direct impact on customer service, indirect or no impact?’ And then we start looking at those, those that got a 6, so they have direct impact on revenue and the direct on customer service.

I avoid those like the plague. I don't want to cut those at all. If I can help it, those are the absolute last ones. If it's a five or six actually anything below a 1-4 0-4, I guess, could I want, I guess 2-4 would be they’re fair game. And if there are 2, they might get cut 100%. They might get cut 80% temporarily at least right this ship.

Peter Margaritis: Right.

Mr. Biz: But I think that's two important exercises that go through to ensure you don't end up in that vicious cycle that I mentioned of revenues down you cut expenses, and you cause them to go down. And again, it's really a bad situation to be in.

Peter Margaritis: Yeah, absolutely. And you're right. Vast majority people, I believe, I know I'm one of them, I don't leave for price, but if it's bad customer service. I'll give them two opportunities. And then after that. As they said the Godfather. You're dead to,…or the Sopranos You're dead to me.

Mr. Biz: Yes, absolutely. Well, and think about it. As I say, think about the scenario. Let's say you have someone that you do business with regularly. And you do pay a little bit of a premium, but you're okay with it. And then all of a sudden the customer service becomes crappy, and you think in your head right away… ‘Well, I'm actually paying a premium but at my service stinks. I'm not paying a premium. I'm not willing to pay a premium for crappy service.’ So you leave.

Peter Margaritis: Like, yeah, it's, I mean I have fired a number of financial planners and even CPA firms because of just that one piece. I don't mind paying the extra, but if… I saw this article. I'm ringing the doorbell. I keep ringing the doorbell. Nobody's opening the door to see what I need.

Mr. Biz: Mm hmm. Yeah. Yeah. No, it's super, super important. And again, I think even just I know we're kind of going off the topic a little bit here. But I think it's important for even just even when there's not a pandemic situation or economic downturn… revenue. So many people are just so focused on chasing that next dollar of revenue that they neglect their existing customer base. Another statistic…you can tell I’m a numbers nerd, right Peter? But I like to back things up. Look, I get…I find out things and sometimes its theoretical and I look for statistics. Is there anything to back this up, or just my crazy brain thinking this crap up?

Mr. Biz: This is another one of those things that I at least my…personally when I came up I found this., I'm like, holy crap I didn't realize it was that big… 65% of all of your incremental, your new revenue comes from your existing customer base for the average business 65%. Now, if you're losing them. You're not retaining them you're losing out on that 65% opportunity so super, super important. And if you know again customer service. If you don't have good customer service, you're going to lose them. Why is… think about some of the giants. The big behemoths right now that are some of them are taken some heat. But why do people pay $4 for a cup of coffee at Starbucks. It's not. I mean, I don't drink coffee.

Peter Margaritis: What??

Mr. Biz: But, I mean, I guess, it’s really good, right? But it can't be that. Yeah, I don't. I know I'm crazy. It's funny, when my wife and I started dating and I forget what we were. And I think we're on vacation or somewhere. And we go past the Starbucks. I'm like, Yeah, I probably kind of weird. I don't drink coffee. She goes, oh my gosh you high five years because I don't drink it either. And we were like, oh my god. We got to get married. The only two people in the world.

Peter Margaritis: Yeah. People love Starbucks experience, not the coffee right?

Mr. Biz: Right, yeah. I mean, again, I hear that coffee is really good, but they're not the only place that makes really good coffee, right? There's tons of places like that. But the experience. The name on the cup becomes part of the experience, you know. Amazon, right? Amazon's taken some much heat which by the way side note, I think, is a little bit of crap because a lot of small businesses. People don't realize how many small businesses sell on Amazon.

Peter Margaritis: Right.

Mr. Biz: And especially during the pandemic, when they're the brick and mortars that had to shut down, but they could still sell on Amazon. Amazon helped a lot of those businesses stay alive. Side note, but why is Amazon continue to grow. Because how many people have you ever heard say, Oh my gosh I had terrible customer service on Amazon never buy something from there again.” Have you ever heard anyone say that? I never have. You know, I've heard people say get mad about, ‘Oh, I want to support local businesses instead of Amazon.’ I get that. But Amazon makes everything easy.

Peter Margaritis: I think the only thing I've heard recently and during the pandemic is the Amazon Prime was not two days. It may have been four days. But that's about the extent of it.

And yeah, and you know that you've shopped at Amazon probably too much when they deliver the package, they know you have dogs and leave dog biscuits. I'm saying that for a friend

Mr. Biz: Yes. Yes, someone you know someone you might know, you've heard of your neighbor.

Peter Margaritis: Right, right, right.

Mr. Biz: So, I had experience. Just recently I bought some earbuds from Amazon. And I'm not an Apple guy so they weren't Air Pods, or whatever the $200 crazy ones are that our kids have but I don't, but anyway. So, I wear these, you know, earbuds so their Bluetooth, of course, a wireless. One of them doesn't work. I'm like crap I thought was me. I tried to get the boys, didn't work. I literally go out on my phone. Click on the Amazon app. And I'm telling you this, it takes, it'll take me longer to tell you that I took. Click a couple buttons, right? Go to my orders, go to this one say this defective unit . They email me a QR code and say, okay, you can take it to your nearest Kohl’s. They could see where I was and they could see and they sent me a map of all the places a couple of Amazon places and then Kohl’s. You could take it to any of these look you can take it wherever you want, but here are the five closest to you. There's a Kohl’s like three miles from my house. I had never experienced this. I'm like, Well, I'm taking it to Kohl’s, because I want to see what this is like. Right? Peter, I'm telling you if you haven't done this. It was liberating, right? I walk in, I don't have the box. I don't have crap. I just have the little, the little thing where… I walk in, there's a kiosk in Kohl's with an Amazon person standing or Amazon kiosk. And I walk up and she said, how can I help you? And I said, I need to take these back and she said, you have a QR code? Held my phone up. She scans it.

Mr. Biz: I'm standing there and she's looking at me, I'm looking at her. I'm looking at her. Awkward silence and she goes, is there something else I can help you with? And I'm like that, that, that's it? Did you need me to sign something or did you need to…? She's like, ‘Oh no we got everything we need.’ I'm like,’ Well, I didn't have the box. I'm really sorry.’ She goes, ‘Oh, and I will take care of for you. Don't worry about it.’ And so I'm standing are still like I couldn't believe like, that's it? That's all it takes? And I'm like, okay, and the woman's like did you need something? Like, you know, trying to be helpful, because I had this dumbfounded look on my face like that was just way too simple, you know.

Peter Margaritis: Yeah, I don't know when they put in

Mr. Biz: It’s good customer service, like it's so easy.

Peter Margaritis: I'm not sure when they put that in.

Mr. Biz: Yeah, I know. I'm not sure either.

Peter Margaritis: But I I've returned three or four things over the last few months, and I just take it to the UPS and I walk in and they go ‘What do you got?” Amazon. Thank you. Bye. But the other side of that story was, you know, talking about Amazon, you know, they get their Prime members get within a couple days. Actually Saturday ends up like the next day. When my first book came out, I was thinking about fulfilling it by myself. And my people that do my website marketing, they said, ‘Can you fulfill it faster than Amazon?’ No, no.

Mr. Biz: No, no.

Peter Margaritis: No why compete? I say, you know, the royalties aren’t as great, but you know if it is going to take 10 days to two weeks versus two days. I'd rather have that happen.

Mr. Biz: Absolutely. I went to the same exact decision process matrix with my first book. I'm like, I'm not paying. I saw the royalties. I'm like, I'm not paying Amazon that crazy. And then as I thought about, I'm like, Okay, so if I order 300 copies of my book. I got a store it somewhere. I have to do order fulfillment myself and, you know, like, he said. And then I gotta get to the, you know the UPS or whatever…however, we ship them you know just huge pain in the butt, which I still do, to some extent, right? People here and here and there, but I mean you can't beat it. You cannot beat it. It's just it's hitting the easy button. And people, a lot of people forget it, you known when Amazon when Bezos especially was taking all this heat during the pandemic. Oh my gosh, his net worth is gone up by you know Bazillion dollars on this stuff people forget Amazon started out is a bookstore.

Peter Margartitis That's all they were! They were just selling books!

Mr. Biz: That’s all it was! And Bezos is like I am going to build this great business where I sell books online, and that now look at it. Like what can't you buy on Amazon. Like, seriously.

Peter Margaritis: You can have your drugs, your pharmaceutical drugs through Amazon, and I saw an ad where it tells you.. this is what you take for this day and it says ..What's next?

Mr. Biz: Well here's the thing… that’s the thing. If people were upset about, you know, how large Amazon's become they're going to be really upset and like five years because now that Amazon…. One of the things that Bezos has done is he's reinvested in his business a ton. And so, they have that infrastructure now. Now they can do, I mean, I was just telling somebody the other day. I said, what about Amazon getting into the food delivery service? And they're like, why would they do that? I’m like they have all the infrastructure. They have drivers out on the road. You know, not 24/7 but you know whatever 16 hours a day. They already have that infrastructure. Why wouldn't they say, you know, Uber Eats, You're on? You got a new competitor, you know, as an example.

Peter Margaritis: Well, I mean, so if you remember a few years ago when they had the demand for online shopping far exceeded their expectations and packages weren’t arriving by Christmas. Bezos said, Never again. And Wilmington, Ohio, and about an hour, maybe an hour south of here that was used to be a DHL airstrip. They land there. All of a sudden, some friends of mine down there went… I'm seeing these Amazon planes taking off from here. And that was the start of the building the fleet of airlines and vans that it wasn't going to happen to them again. So yeah, that reinvestment back.

Mr. Biz: Yeah. So much so I used Amazon. I took us on this Amazon tangent, but I, one of the things I when I talk about cash flow. And I think a lot of times business owners are almost embarrassed. You know, you've been in business 10 years and I'm having cash problems. I'm like look people don't realize this… Amazon ran into a cash flow issue is about 10 years ago. So they weren't as big as they are now they're still really big 10 years ago. They ran into a cash flow issue. Wasn’t because they weren't selling. They have revenue coming in like crazy. And that's the whole point with cash. It's not necessarily that you are not bringing money in it could be that, but it's there could be a variety of other issues. And Amazon's was they had made… they had a budget and had projections on revenue and based on this projections they were reinvesting in the business and technology and other things, right? And so, they were making those investments, but their revenue was falling short. They're still bringing in a ton of money but they had, they were. I don't know. I make the numbers up, they were growing at 20% instead of 30% right? They’re still growing. But they were investing as though they were going to be at 30% growth and so they ran into some cash flow issue short term. But, um, you know, there's no there's no shame in that. I mean even companies like that can run into is cash flow issues given, you know, specific circumstances so.

Peter Margaritis: Well, you just made me think of something. So I used to be a lender for bank, commercial real estate lender, years ago in the Florida marketplace. And lenders would be comped a bonus on the amount of revenue they put on the top line. And I know some lenders who were out there that were given, literally, making the deal at whatever cost. That was beneficial to them, but they had no idea what the cost structure was for that loan. So, they may have booked the revenue, but the expenses to manage that just ate it all away and then some. And I'm hearing this conversation happened again in lending. This conversation happened again in insurance. Instead of buying sales people on gross revenue versus profit. But in their defense, they have no idea what that cost structure is. They don't know what the floor is on some of their products to not price them correctly.

Mr. Biz: Absolutely no I ran into that in a corporate world gosh million years ago, but I when I moved into our Wealth Management Division when I was back at this point actually Bank One days pre- JPMorgan. But they allowed sales people to give discounts up to 30% blanket like not on specific products. Just want you can go up to 30% and you still get the same Commission.

And so, of course, you're a salesperson. You know, I come in. Exactly. I see the look on your face.,Peter I come in and I go, Well, what's the salesperson gonna do, they're gonna go, Oh, you want to discount. Okay, I'll give you 30% like. And so that what was happening. There were some products that just you couldn't afford. The margins weren't there to give a 30% discount. They just weren't there at all. And the other thing related to that, and even tying back into cash flow is, you know, I've got a couple businesses I work with that they have cash flow problems. They pay out their sales people they've got their Commissions. When the revenue, you know, when it gets booked, right? When someone signs a deal, they go, okay, hundred thousand dollar deal you get, you know, whatever. I don't know 10% you a $10,000 check. Well, meantime, Carl the customer. Fast forward, maybe Carl never pays. The revenue never comes in, but I paid you $10,000 in commissions.

Mr. Biz: So, a huge mistake there for anyone who might be doing that. And so, what we did was in that business specifically is… because what was happening as a sales people again, people will if whatever you incent, you're going to get a lot of it. We have to be very, very careful about that. So, they're just booking sales and we talked to one sales guy who ended up being like, ‘Oh.” He knew some of these customers were just didn't have the wherewithal to be able to pay. But he's booking the sale anyway because he knew he was going to get paid, whether they paid or not.

Peter Margaritis: Right.

Mr. Biz: And so, we changed it so the sales people were responsible, and you didn't get paid Commission until the customer paid. And so, now the salesperson has a vested interest in ensuring that their customers pay. So they don't want to book someone that they're going to waste time on that they know is not going to pay. Number one. Number two, they become a pseudo collection person. And it sounds a little bit awkward, but it's actually easier. Think about it.

Mr. Biz: If you have, you know, a lot of times what ends up happening is you know your receptionist or something is the ones making these collection calls and it's awkward and I don't know the person Baba, blah. Your salesperson already has a relationship with those people.

Peter Margaritis: Right.

Mr. Biz: You know, it could be, ‘Ah, Peter! Come on, killing me, man! Like what's going on and paid your invoice yet?’ You know, kind of joking around. You can you make he had that conversation. So, we essentially made them kinda sorta you know not all the time. But when necessary, because they had that vested interest in making sure. And then they weren't booking deals with clients they knew that no way could pay. Flip things right around cash flow wise massively.

Peter Margaritis: Yeah, that's… I never quite understood that math, and I know it's still out there today. And going back to the whole fortress balance sheet. When you're not pricing your products enough to cover its cost to make margin, you're not building a fortress.

Mr. Biz: No.

Peter Margaritis: That's the big leak.

Mr. Biz: Yeah, yeah. And that's what that creates… is it's funny. I call it the silent business killer. That's what it creates, and I call it the silent business killer because and what that is the definition for me is…Those are products or services you have that are unprofitable. Now, when I usually tell business owners that they look at me like I'm a goofball, which I kind of am.

But nonetheless. I call it the silent business killer because, of course, the business owner says, ‘Ken, why would I have a product or service that is unprofitable?’ I'm like, that's the point. You have it probably. You don't know it, though. So, I silently killing your business and oftentimes what happens is those products or services are your highest volume products or services. So now, a sudden you're just running in quicksand. And you run into that situation where, if I run into this man that's exactly where to look. You got revenue, maybe your revenues going up your sales are increasing. You're having cash flow problems and or losing money. And you go, ‘Wait a minute, one of these things, doesn't belong.’ How can I be going up and sales but losing money? How can be going up and sales bringing more money in but losing money? That's what it is that sound business killer. The Grim Reaper standing outside your door.

Peter Margaritis: Right, absolutely.

Mr. Biz: And one of the one of the biggest mistakes I see made with that. Peter. is that owners look at gross margin, right? They focus on gross margin, instead of net and so they go my gross margin 60%. Well, yeah, but your admin overhead expenses eat that all away and then some. And oh, by the way, sometimes you give discounts. So now your gross margin on certain things are not as big. And which ones do you get discounts on? Oh, big orders.

Peter Margaritis: Right, big dollars.

Mr. Biz: Big project. They want to land it with the prospect of future business. So, you give them a giant discount or whatever. It's like, oh, crap. You know, now you just really killed yourself.

Peter Margaritis: Which reminds me, you told a story to me that last time we were talking about something along those lines with one of your clients that… I don’t know if it was construction or whatever, but was betting low to try to get the job, but it was unprofitable and you set up some structure for them in order to be profitable. And they still came back at some point and said, ‘Can we do this?’ It's like sure.

Mr. Biz: Yeah. So, before I started working with this business, they do about a million a year in revenue. And so, I did out this job and like I don't, February, March timeframe. I start working with them in June. And the job was a $220,000 job. So should do a million dollars in revenue. You have an opportunity to do a $220,000 job, holy crap, you jump at it, right? Well, you did it very aggressively, just like.... And we get to the end of the year and his revenue is the highest that have ever been, but he barely made any money. And he said that does make sense, he said. And honestly, and by the way I would do the same thing, right? He looks at me. I hired you. You're supposed to help you make more money. What the hell happened right?

Peter Margaritis: Right.

Mr. Biz: And I said, ‘Well, hold on a second. Here's what happened.’ Now, this particular job so that job cost him $260,000, 220,000 in revenue. But the expenses associated with it were 260.

So I said, I had to explain to him that if you would have not done this job, your revenue would have been lowered by 220 but your net income would have been higher by 40. And he's like, ‘Oh. Wait a second.’ I had a whiteboard it out, right? Yeah, I didn’t T account it , Peter. I didn’t T account it. But I had, I had whiteboard it out for him to explain it to him. And he's like, you would have thought that I just like I solved the Pythagorean Theorem for him. Like he's like mine was blown like, holy crap. And so, I made a pricing model for him. And said, this is how we're going to price jobs. Any job over x. This is how we're going to use this pricing model. And so yeah, you're right. He came back to me. He got another job with a large company, and he came back. And he's like, ‘Pricing model says I should be charging x.’ And I said, ‘Okay, then that's what you bid.’ He's like, ‘Well, if I do that will never get the job.’ And I said, ‘You're missing the point here, Bud.’ If we can't do it at that level at that profitability level, we don't want the job, right? So, I had to go back and re-explain, you know, so what you're going to run into. So, you bid, you know, a bit more aggressively, and it cost you more. You're going to lose money. And by the way, these big jobs are typically a big pain in the butt too. So you’re losing money. And, you know, creating more strife chaos in your business. So, yeah, it's just super important. I mean, again, that's, that's what I have…when I start working the client that I call my three pillars of financial success. Cash Flow, budgeting and pricing. And we start with those three and some businesses only need help in one. Some need the all three, whatever. But in my mind, you have to have those three right as a foundation.

Mr. Biz: Those are the three legs of your stool. Once you have those right, you can build on it. But if those three things are wrong and you start to duplicate, replicate and grow. Your growing off of a crappy base and it's going to crumble at some point on you.

Peter Margaritis: Like an economic downturn or a pandemic or something like that. We've gone complete full circle here. In a very improvised way. I might say. We went different paths. But we came back to where we started. That causes a lot of businesses issues with not having that fortress balance sheet is basically, maybe just comes down to pricing. Problem pricing your products and services. So, you walk away, making money versus losing money.

Mr. Biz: Yeah, well, and here's the other thing. Think about this way, and I know it's when I say it, it sounds really obvious, but sometimes people don't take that step back or they were pulled her head out of the weeds. As a business owner, and I don't mean that negative way. I mean that you're just running around putting out fires all day. You don't have a chance to think strategically sometimes is. You know, a 10% error in pricing, when you're doing a million dollars a year is one thing. When you're doing 10 million a year, it's not 10 times the problem. So now it's like, holy crap. You know, I just lost, you know, a million dollars because I have a 10% problem in my pricing. Whereas, you know, when you're doing a much lower number, it's just not as material. It's the ratio is still the same, but it's not as material dollar wise. So it again, that's the whole theory of, you know, you're building on this, you know, it's unstable base and so like I said, at some point, it comes crumbling down. Like so most of time, that silent business killer that pricing situation is our products or services that are your high ones, right? There's some of your lowest lower cost ones. They are getting people in and people buy those and hopefully you have an opportunity to do additional business with them. But again, you could be selling that product or service like hotcakes but every unit you sell you're losing money.

Peter Margaritis: Right.

Mr. Biz: And sometimes you don't get a second chance or sometimes there isn't an upsell or, you know. And the other part, the other dangerous part I should mention with, you know, when you're bidding on a project like that, and you bid very aggressively. With the idea, I know it's easy to fall into this mindset. But you say, Oh my gosh, this is with fill in the blank cash cow prospect that I can do business with. Man, if I can get my foot in the door. Let me get my foot in the door with this one job. And my gosh, I'm going to make just tons of money in the future. Well, the problem is you bid so aggressively on that initial job and you've got your foot in the door. They come back to you for job number two, and you give them your regular pricing and they go this pricing stinks. And you go, well, but that's what… and they go, ‘No thanks, I’m good.’ So, you got one job and you lost money on it and you get no future business out of them. So, you set the precedent with that initial thing so, you know that the silly example, and this is kind of dated. I guess you could still l applicable, but for me it was dated. I use the example of eBay. When you bid on something on eBay. You can set a price limit. Right, it could be the current price on that thing is five bucks and you can go, what am I willing to spend on that product? I'm willing to spend $17 so you put your bid at 17. And eBay, for those unfamiliar will bid until it gets up to your $17 and it will stop bidding.

Mr. Biz: So it won't automatically go from 5 to 17. It will go from 5 to 6, and someone else besides will bid 8, and you put at 9 until you get your 17. And I said, you have to have the eBay pricing mentality. Set your price at 17 and that's it. I'm not going you know in the business perspective. I'm not gonna, I can't do a job for under x because doing so is going to cut into the margin that I want to be at. I want a certain net margin. I want to 15% net margin. I'm not doing his job at 7%. Like that's just silly. I'm not going to do that. I refuse to take jobs at 7%. So super important to sort of have that mentality circling back to that story. He did. Actually funny follow up the follow up so that story I told you he even came back to me and said, ‘Hey, if I I'll never get this job if I bet it at this?’ I said, ‘Well, too bad. You got to do it because it's gonna be unprofitable.’ So he sends it in at my price loses the bid. Probably secretly was ticked off at me.

Mr. Biz: Right, you know, so the last meeting, we think of subsequent to the last time you and I talked. The last meeting we had he came back, and he said, ‘Hey you know that job that I lost because you told me to bid it?” Like yeah, he said they came back to me because the vendor that took it on must have figured out that they couldn't do it at that price, so they just stopped doing work on it. So, now that huge company came back to him and said, ‘Hey, can you pick this up for us.’ And he said, ‘Well, yes, I can.’ And they said, ‘Well, we need it done by x.’ Right, was the end of the fiscal year, we need them by x. And he said, ‘Well, if I gotta reset reallocate resources to that delay other jobs, it's gonna it's, there's a premium associated with that.’ And they're like, ‘Tell us how much and we'll write a check.’ So, it ended up working out really, really well for him.

Peter Margaritis: Wow!

Mr. Biz: Again, he's like, ‘Oh my god! How did you know that was gonna happen?’ I said I had no idea that was going to happen. But you know, it's just… I think that really helps cement with him one client at least like okay this is definitely the way to do things, so don't expect that's gonna happen with every job that you lose. But yeah, it was ended up really well.

Peter Margaritis: I started this podcast, by introducing us Nostradamus, I think he just came full circle on that, Ken.

Mr. Biz: Not at all.

Peter Margaritis: Well, you’re well versed in the world of business and how it works. Entrepreneurs tend to have a sales mentality and tend to have…. We’ll chase that, but we tend to forget about the other pieces. And if this pandemic has maybe done anything, maybe it's made a lot of companies think, wow, okay. Maybe I survive or even if I didn't survive. What do I need to do in order to never have let this happen again? Because as you said…My mom thinks they things go up like in the stock market. They come down, they go back up. They go back down to go back up and recessions and stuff, but you can look at that trend line.

Peter Margaritis: And you can see and just expect it and just have it get out of. I think the fact I'm unhappy mentality and, oh, you know what we've been doing well 5-6-7 years. Maybe I need to start planning for that downturn, or that recession or if it doesn't happen. We'll just even better off.

Mr. Biz: Absolutely, absolutely. So being positioned with that strong balance sheet. Think about when a downturn happens, a pandemic, whatever. First of all, you're not losing sleep at night. Because you know your rock solid, you know, you've got X. I could have whatever depending on the cushion you build. Let's say for example, I could have no revenue for six months and I could pay all my bills, right? You're gonna sleep pretty good. Like, how long is this going to last? Probably not six months. Whoops. It's actually lasted longer. Actually not fully because we've been reopened, but, um, you know, it's going to help you. It's going to take a lot of stress off of you. Right? You're gonna feel a lot better. You're not gonna have cash flow issues because if need be, you run into something where you can dip into that reserve and then replenish it later, of course. That’s my CFO hat coming back on there, but no, it helps you tremendously. And then again, when there's a downturn, there are all… Challenges create opportunities. And in business, the translation of that is economic downturns create opportunities. Like I said, not all your competitors are going to be positioned to be able to make it through.

Mr. Biz: And so if you have the capital when no one else has it right and the downturn happens you have the capital. You're able to you know again purchase assets, perhaps on a pennies or dimes on $1. Acquire a business. And again you could look at that and say, Oh, you're taking advantage of. I look at it as you're helping because you're saving all those jobs, right? You're saying, I need you. You're no longer jobless. We need you over here. And their customers. Their customers all sudden have no supplier. And you're like, Hey, we can help you. Right?

Peter Margaritis: Right.

Mr. Biz: So I think, you know, it's super important to have that and be positioned for that. I mean, I'll tell you. All my clients are like, Oh my gosh. Like this particular guy with the pricing thing, he was one that was running razor thin. He had almost no reserves. He was stressed all the time. Chewing his fingernails off all the time. Like, you know, he's like, and it was funny, he was joking with me after we've been working together for, I don't know about 6-7-8 months. He said, ‘Ken, I swear it goes not only am I less stressed, and like I literally do,’ he said, ‘It's not even just a cliche. I do sleep better now because I don't worry. My wife is notice it.’ And he goes, and he's pretty thin hair. He goes, ‘I'm telling you. Ken, I think I might be starting to regrow some hair.’ I'm like, ‘Let's not go too far.’ He said, ‘Well, I know at least I'm not losing more.’ I'm like, ‘Oh come on,’ but um. No, it does make a tremendous difference in, you know, like I said, mental health for an owner to know that you have those reserves and you're good. Like, you don't have to worry about. Oh my gosh. What happens I… What you know it doesn't have to be in downturn. What if you have, I don't know, 20% of your sales are tied to one sales people. Right? You have some superstar Rockstar salesperson, and all of a sudden they either leave or, god forbid something happens to them and they have to take a leave of absence or have a medical issue.

Mr. Biz: And all of a sudden you go, holy crap. Now what? I just lost you know 20% my sales leader is gone. What do I do? And again, having that that fortress balance sheet. How you're gonna feel you're like okay, got a problem., but we can weather the storm pretty easy, because I know we've got this, you know.

Peter Margaritis: So, I can't think. I cannot thank you enough for your time and I'm putting on my calendar to have you back six months from now and we'll revisit this conversation. And here's some more great stories on what you've predicted and how your clients and that. But before we, before I let you go. How can people find you?

Mr. Biz: Probably the easiest way is if you Google Mr. Biz, you'll find me. I've got I'm on all the social media platforms. I've got a YouTube channel. Check out the YouTube channel, Mr Biz. There's over 100 videos out there. Check it out. Bunch of different topics cash flow, budgeting pricing, hiring, like all kind of business related things out there, motivational things even out there so. But yeah, our website, MrBizSolutions.com. Check that out. But yeah, if you Google, Mr. Biz, you'll probably find me whether you want to or not.

Peter Margaritis: You can tell by his voice he has he has a voice for radio. He has his own Podcast radio show.

Mr. Biz: Yeah, it's technically a radio show that gets also released as a podcast, so I can't really answer that question accurately.

Peter Margaritis: And I just so he does have a radio show. Mr. Biz. It’s own website. Well they can Google it. I just remembered. One last story.

Mr. Biz: Mm hmm.

Peter Margaritis: And involved. Arianna Huffington.

Mr. Biz: Oh, yeah.

Peter Margaritis: Can you share that real quick?

Mr. Biz: Um, I guess you're talking about the article.

Peter Margaritis: Yes, the article.

Mr. Biz: Yeah, so I I'll try to tell a short version this because I have a long version that's actually not… it's worse than PG Rated. It’s in my opinion, a little bit funnier. But I'll keep it a cleaner version. But I had a person reach out to me and say, ‘Hey, we're writing an article on Yahoo Finance on top entrepreneurs and we wanted to include you in the article.’

Mr. Biz: And you know, I, I've been fortunate enough to be quoted in a lot of articles and I get interviewed a lot and things like that. And so I thought, Okay. She said, Well, it's you know it's Yahoo Finance. I'm like, Okay, so this is some scam me thing, whatever. And I ignored it. So, the woman emails me back a couple days later, and she says, ‘Hey, were you interested in being in this article or not.’ So I said, Well, give me your phone number and I want to talk this out on the phone. Thinking right away that if it's scam, she's gonna scare away. I get on the phone with her. And I'm like, Okay, well, what's this article about I'm very I'm sure I was very snarky, very short with her, right? And I think the woman at one point got was starting to get ticked off like you know. I'm trying to give you this great opportunity do you want or not? And she said, well, I said, Who else can be in this article, how many people, you know, what is it? And she said, well, have you ever heard of Grant Cardone? I'm like, I may have heard of him. Yeah, she's like Tai Lopez. I'm like, yeah, she said, Arianna Huffington. I'm like, yeah. And she said, well, they're also going to be featured in this article. And first I was like, holy crap. But then, second, I was like, okay, wait, I'm back to the whole scam thing. Like why would I be an article with those people. Right? But it was legit. It was legit so article came out. The beginning of October. Funny slight side note to that story. It was scheduled to come out on a Friday, I think the very end of September, the last Friday in September. It got bumped. Yahoo bumped it because that was the day it was announced that President Trump had COVID.

Mr. Biz: Oh, like. The story, it'll get buried. Like we're going to release it on Monday. So just hold tight but it's coming. But even then I was like I, Peter, I told my wife, ‘I go, I knew it. This is a bunch of crap. This is a scam.’ I knew it. Oh, it’s gonna get delayed on Monday again, you know. But it did come out on Monday, and it was very flattering. And it was, you know, they interviewed me, and I thought, is it just going to mention me like, oh, and I'll be the see others at the bottom, you know. All the other entrepreneurs to consider Ken, Mr. Biz Wentworth and that's it. But it was, you know, it's, I don't know. A couple paragraphs long and like I said, very flattering. So yeah, it was interesting. I'm like Arianna Huffington, and you know people like that. You gotta be kidding me. So yeah, it's very humbling.

Peter Margaritis: But take the story just one step further. How did you turn it into a social media? I was the word I'm looking for. What do you do in social media just really solidified the story about didn't you go out and follow Arianna Huffington or make a comment. Or yeah…

Mr. Biz: Yeah, oh yeah. I forgot what the part. I forgot to mention that yes to knowing that the only three we're going to be in in the article. So, I already follow. Grant Cardone and Tai Lopez on social media, and I wasn't following Arianna Huffington. So, I went and followed her. And so I went out. Again, knowing that it was coming out. I went out on their social media and like liked and commented on like five things on every platform for all three of them. And Arianna Huffington thinking that, you know, that's going to get me kind of they're going to see that, or at least someone on their team is going to see that. My name with them liking engaging with some of their social media stuff on all the platforms, almost like wait, this guy's like stalking us what the heck's going on here. And then the article comes out and they see me in the article. Right? That was the whole strategy behind it.

Mr. Biz: And that's exactly what happened. So, I got a DM on Twitter from Arianna Huffington and she said, This is Arianna, this isn't one on my team. You know sometimes people on my team monitor this. But literally, she said someone on my team pointed out that you engage with X number of my social media things over the last several days and I saw your in the article, I'd like to get to know you. I'm like, ‘What?’ So yeah, I tried to, you know, utilize that that publicity as best I could. And you know, it's so…it's gonna work out. We haven't met yet. It’s on the schedule.

Mr. Biz: So hopefully I, and so now my latest strategy, Peter is, I'm like, okay, so I think next week we're scheduled to talk. And I'm like, she's gonna forget who I am. It's going to come to like the Tuesday when we're supposed to talk and she's gonna be like, who's this guy again? So I'm like, I have to make sure that I keep engaging with their social media stuff so I keep my, you know, my, my name sort of top of mind to or whatever. So

Peter Margaritis: I love when you told me a story, God, I love that strategy that you did, and it's working on and you get to meet her. So, we'll have a follow up, just how that how that goes. I assume it's on Zoom or she flying you out on her plane.

Mr. Biz: Well here's the thing. It's funny you say that because I said I when she had her she copied her assistant and said hey you know set up some time with Ken. And so I told her assistant, I don't even know where she's based. And I'm like, I'll fly wherever it is to meet her in person. Even in 15 minutes, right. So, I, I'm like, Oh, well I can, I can meet in person. And she's like, where are you based? And I didn't want to, of course, be untruthful, so I said, I'm based in Columbus, Ohio, and she's like, Oh, there's no need for that. And I'm like, I couldn't even say cuz I screwed up and didn't do my research. So I don't know where she's based at the current time. So, I couldn't even say, oh, well, I'm going to be, you know, a name some somewhere nearby, you know, along that no one in those dates and I could be, you know, be there. So because I was willing to do that. I'm like, I'll hop on a plane I pay for a ticket and hop to be able to get that 15 minutes, you know, one on one face to face, over Zoom or a phone call. So like

Peter Margaritis: Well, I can once again thank you. I love the stories I that just popped into my head right then and there was one of the things I had written down. The Yahoo Finance article

Guys, audience, look, this guy up as you can tell, very bright knows his stuff. If you need help in your business, who do you call? Mr. Biz

Mr. Biz: Mr. Biz. That's right. That's right.

Peter Margaritis: And by the way he does live in Columbus, Ohio, and he is a Buckeye fan, because he's got a shirt on. He says, I'm a Buckeye I'm a Buckeye Nut.

Mr. Biz: Yes.

Peter Margaritis: So, Go Bucks! Thanks again. Ken, I appreciate it. And I look forward to our next conversation.

Mr. Biz: Yeah, absolutely. Peter, I appreciate you having me on. Again, it was a great time.