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THE EMBROIDERY COACH

Module 1 - Setting Up Your Business For Success!

Organizing Your Information

Introduction:

The idea of having your own embroidery business is fun and exciting but when you first started your business, did you stop to think about the business end of setting up your embroidery business? The business end is one of the most important parts and the only part that is going to help guide you in growing your business. This is the part of your business that will sink you if you do not have it set up right and it is also the part that can make your business thrive when you have it properly set up for success!

Setting up your Bookkeeping System for your embroidery or decorating apparel business is very important right from the beginning and learning how to get it set up properly is a must if you want to track your profitability. If you have been operating your business using spreadsheets or placing pieces of paper in boxes or files to get to it later, that part of your life and business is over. This is a brand-new beginning, an exciting beginning.

Lesson Objective: Show you how to Organize all of your Paperwork and get ready to set up your bookkeeping system. Organization is the first step.

If you have been using QuickBooks all along in your business, you may find that you do not have it set up properly to be able to make all of the right decisions for your business. I have had a lot of students that thought they had their bookkeeping going in the right direction only to find out that it was not and I have spent a lot of time working with students, one on one, and helping them to get their books fixed and set up properly.

There are a lot of basic decisions that you must make at the very beginning of getting your program installed that will make a big difference in how you make it work for you.

Here are the Simple Steps For Setting Up Your Embroidery Business For Success!

- Organize all of your Expense and Income receipts
- Create Price lists for each area of your business
- Create a list of all of your Customers
- Create a list of all of your Vendors or Suppliers
- Create a list of all of the services your offer
- Install QuickBooks
- Set up your Chart of Accounts
- Import all of your Lists of information into QuickBooks
- Start adding your Orders into QuickBooks
- Add each job to your Scheduling System
- Create an Invoice as soon as the job is completed
- Deliver your job and collect your money!

In this first lesson I am going to talk about those decisions and the organization that needs to be done before you can actually set up your Bookkeeping System. Once you have the organization done and all of your information gathered together, adding it to **QuickBooks** will be the easy part. I am going to be showing you step by step how to go about each piece of this puzzle!

In this first lesson I am going to cover:

- The different versions of **QuickBooks** and how to decide which version is best for your situation
- Gathering your Year-End figures
- Your different Areas of Service
- Customers
- Vendors

- Basic Pricing Information

Gathering your Year-End figures

- Banking Info
- Credit Card Info
- Accounts Receivable
- Accounts Payables
- Loan or Lease Payments Information
- Expenses

Part 1-Which Edition of QuickBooks to Purchase

QuickBooks is available in many editions, offering options from desktop versions to the Online version. The desktop version, QuickBooks Pro handles the basic needs of most businesses, whereas Enterprise Solutions has more powerful features and speed for the biggest of small businesses. On the other hand, the online editions of QuickBooks offer features that are available anywhere and anytime you're online. That is the best part for me!

QuickBooks Online Simple Start is a low-cost online option for small businesses with very simple accounting needs and only one person running QuickBooks at a time. It's easy to set up and use, but it doesn't offer features like entering bills, managing inventory or sharing your company file with your accountant, and you can download transactions from only one bank (or credit card) account. I would not recommend this version.

QuickBooks Online Essentials allows up to three people to run QuickBooks at a time and lets you connect to as many bank or credit card accounts as you want. As its name suggests, it offers essential features like automated invoicing, entering bills, and controlling what users can access.

QuickBooks Online Plus has most of the features of the desktop version, QuickBooks Pro, but you access the program by the Web instead of running it on your PC. Up to five people can access your data simultaneously. I highly recommend this version. It is the most like the desktop version and offers almost all of the same features. It is going to work for any one that has any type of apparel decorating business. If you have employees, you may want to

invest in the Payroll module that can go with it. I have 2 employees, but I do not have that module. I have a payroll service do my payroll. It is much easier for me and I do not have to worry about any of the reports. They are all done for me.

However, if you have a payroll service that uses QuickBooks, and most of them do, they can enter your payroll through your Payroll module, and it will save you time. At the present time, my bookkeeper has to add those figures from the reports that are sent to me by the payroll service.

Working with QuickBooks on line you can work securely online with your accountant or team from anywhere. QuickBooks on line makes it easier to sync files in real time and there are No more back-ups. You do not need to be worried about saving your files to an external device. It works from any computer or any device.

My bookkeeper is in St. Louis and I am in New York. We can both access all of the information and work inside of the program, but I am not the one that does the bulk of the bookkeeping. Kathy, my sister and bookkeeper does that for me. She can also help me make some financial decisions. It is so much better having someone else that can see the whole picture as well as you. Sometimes she sees things that I do not see and it is very helpful.

My accountant also has access to my account, and it makes it so easy at tax time. I do not have to give him any reports at all. He prints out what he needs when he needs it. This also makes it easy when I need his help in making the right decisions.

Part 2-Gathering Your Year-End Figures

Expenses - If you have been using QuickBooks in the past and have good figures to end your year, these are the figures that you can use to start the process. If you have not been using QuickBooks, you must fill in the Year-End Accounting Bookkeeping Workbook that I will provide. This will give you all of the year-end figures that you will need to complete the year-end books correctly and you will also have the figures to discover what your breakeven point is to prepare for creating your pricing structure. This is very important!

Banking Information - You will need your beginning balance of each one of your bank accounts that are part of your business. If you do not have a business checking account, you will need to set one up. You need to have all of your business and personal records totally separate for your business. You do not want to have them comingled at all. The government frowns upon this very much and if you are ever audited, you may have a big issue.

If you have employees, you may want to have a separate bank account set up for your payroll and your payroll taxes. When payroll is completed, transfer the payroll money from your operating account into your payroll account. You will always have the money there for your taxes and I have found that it is much easier, and I do not have to worry when the taxes are due. This also includes your portion of the payroll tax that needs to be paid. The money is sitting in that account and ready for the transfer on line when the tax forms are filled in! Very important to keep this separate!

Credit Card Information - You will need your beginning balance on each of your credit cards that you are using for the business. DO NOT use the same credit card for business and personal expenses. It is too hard to keep track of your actual charges this way. If you do have personal charges on your credit card, do not include them in the balance.

Accounts Receivables - Who owes you money from invoices that are currently outstanding? You will need a balance for that account.

Accounts Payables - Who do you owe money to for your business for past purchases?

Loan or Lease Payment Information - You will need the balance of your loan or lease that you have on your equipment and or building.

You will be adding this information into the Year-End Accounting Workbook that I am giving you. This will make it easier for you.

You will be able to import some of this information, into the system so that you do not have quite so many entries. This will really make the set up go much quicker! If you have everything ready ahead of time and well planned out, it will make the entire process go easier! Planning is key to anything!

Part 3-Organizing Your Information

Your Different Areas of Service

What are the different areas of service that you offer or plan to offer? You will need a complete list of each one such as:

- Embroidery
- Screen Printing
- Vinyl
- Heat Transfers
- Sewing & Alterations
- Twill Applications
- Banners
- Digital Printing
- Sublimation
- Rhinestones - Can be grouped with Heat Transfers
- Promotional Products

Each area will have a different service area, price list, and expense categories that you will be setting up within **QuickBooks**.

Customer List

You need to have all of your customers listed on a spread sheet that you will use to input into **QuickBooks**. You will need:

- Contact Name
- Company Name
- Email Address
- Phone Number
- Mobile Phone Number
- Fax
- Website
- Physical Address
- Opening Balance-from what date - your cut off date that you are going to set to make this all happen. Date must appear as 2019-02-28 format
- Resale Number

Once you have all of your Customer information done correctly, you will be able to import it into QuickBooks!

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Vendor List

You need to have all of your Vendors or Suppliers listed on a spread sheet that you will use to input into **QuickBooks**. You will need:

- Contact Name
- Company Name
- Email Address
- Phone Number
- Mobile Number
- Fax Number
- Website
- Physical Address
- Opening Balance-from what date - your cutoff date that you are going to set to make this all happen. Date must appear as 2019-02-28 format
- Tax ID Number

Once you have all of your Vendor information done correctly, you will be able to import it into QuickBooks!

- Income
- Expenses
- Assets & Liabilities

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Pages Within Year-End Accounting Bookkeeping Workbook

- Income Spreadsheet for each Month
- Annual Totals Sheet for Income
- Assets & Liabilities
- Expense Spreadsheet for each Month
- Annual Totals Sheet for Expenses

You must have your Total Expenses completed before you can figure your breakeven point. You will notice that there is one for each month and a **Year-End Totals** sheet for both your **Income** and your **Expenses** in the workbook which will have all of the totals for the entire year. It automatically calculates it for you.

If you have access to the “How To Price Your Embroidery” program, you will have access to the **Cost Analysis Spreadsheet** inside of the **Pricing Workbook**. Once you add your year-end figures to the **Cost Analysis Spreadsheet**, you will find your break-even point.

If you have all of those figures for the year already in **QuickBooks** or on a spreadsheet, then you can go to the **Annual Totals** sheet and add those

figures in there and those figures will flow into the **Cost Analysis** spread sheet.

You will then add what you need for a profit and develop your pricing structure, but we will talk more about this in the next section. It is going to be very important to have your price lists created for each area of service, but for our discussion, we are going to be concentrating on the price list for embroidery and your resale products.

We are going to be incorporating that into **QuickBooks** to make it easier to have consistent pricing and easily create your invoices. I do not want you to have to stop and figure out what each job is going to cost before you can create your Invoice or Quote in **QuickBooks**. If all of your pricing is in **QuickBooks** you will be able to quickly create your invoices or Quotes and have a more consistent Cash Flow.

Figuring Your Basic Job Costing

There are 4 parts to your job costing.

- Admin Process
- Set Up Process
- Production Process
- Finishing Process

If this is a part time business for you, you need to figure out how many hours a day or a week you are devoting to your business. You will be able to add this to your Cost Analysis spreadsheet.

Breakeven Cost Per Minute

When you have your **Breakeven Point** figure per day, and the number of hours per day or week you are going to run your business, you need to divide your breakeven point by the amount of hours per day you will be running your business. Then you will divide the breakeven point per hour into minutes. **This is going to give you your costing per minute.** A very important figure! Once you know how much each minute in your business is costing you, you sort of try a little harder to keep the costs down and operate more efficiently!

If you are working an 8-hour day but you figure out that on that 8-hour day your machine is only running a total of 4 or 6 hours, you must divide your total daily breakeven point into the 4 or 6 hours to arrive at your true **Breakeven cost** per hour. Divide that cost up into minutes. You will now have a true cost per hour that you figure your pricing on for stitch count per minute of machine running time. Download the **Production Tracking & Timing form** to use to keep track of the times for your processes.

- **Admin Cost** - This is a cost that needs to be figured right from the very beginning. This is the time to wait on the customer, taking his order, opening up the box of received goods, laying them out and planning your production, waiting on the customer to give him his products or ship them out and creating an invoice. You need to time out these processes and figure an average time that it takes for this total process. Multiply the average amounts of minutes that it takes by the cost per minute of running your business.
- **Set Up Process** - Figure out approximately how long it will take you to set up for a new job. This is the amount of time from finishing up one job and starting a new job. It will consist of loading the new design into the machine, setting your colors, hooping that first item and placing it into the machine. All of this together can be counted as your set up time. The machine is not running at all. You may have to gather some supplies, change a needle, or even change the thread on the machine to the right color cone of thread.

Your goal here should be to keep your machine running 45 minutes out of every hour that you are working your business. When you are first starting you may not have enough work for this, but just remember, this is your goal!

This set up time has a cost associated to it. Multiply the total amount of set up time by your cost per minute for running your business. This is the cost of your total set up time. You only have 1 set up time per job.

- **Production Process** - Sew out a basic design such as one that is 6,000 or 8,000 stitches. Time how long it takes to sew it out including all of the trims, starts and stops. **Write it down.** You need to find some average

times here. Sew out one that has only one color. Next sew out another one that has 4 or 5 colors, etc. **Write it down.** This way you will get a better idea as to how much more time it takes to sew out a design after the machine changes colors 4 or 5 times than it takes sewing out a design with only 1 color. This way you will know long much longer the trims and color changes are taking. This is important. If you have multiple pieces in the order, continue until they are all finished.

Many people just charge by the stitch count, and yes our price list is also by the stitch count, but there are other factors built into the equation such as the color changes, trims, starts & Stops.

After you have sewn out a 5-color design, write down how long it took for the entire process. Multiply the total time that it took for the design to sew out by the cost per minute for running your business. This will be your total cost for running the design.

- **Finishing Process** - You need to time how long it is taking for you to trim off your backing, trim the threads, steam and remove the Solvy, and then package the item. All of this time is in addition to the running time. This is your finishing time. Multiply your finishing time by the cost per minute for running your business. This is the total cost for finishing.
- **Total Production Cost of Job!** - Add these 4 items together; Admin cost,

Job Name		Job No.		Date Beginning			
Stitch Count		Location on Gament		Date Ending			
Type of garment		No. of Trims		Trim Time			
How many heads?		No. Color Changes		Color Change Time			
Machine Name		Machine Speed		Quantity			
Quan.	Production Step	Time start	Completed	Seconds	Minutes	Total hours	Cost
	Receive and write up order from customer						
	Open box of goods/Count with packing slip						
	Lay garments out for production in sizes						
	Plan out production-hoops-machine-process						
	Hoop the garments						
	Hard to hoop item? How long?						
	Set up machine for design & production run						
	Load garment into the machine						
	Run Production-Actual running time per run						
	Remove from machine						
	Trim Garments						
	Remove backing						
	Remove any stains or oil						
	Steam						
	Place garments in size stacks						
	Count garments						
	Fill out packing slip						
	Packed garments in box						
	Weigh box/ prepare shipping label for shipping						
	Staple all paperwork together for billing						
Quan.	Design and Machine issues	Quantity	Sec. each	Total Sec.			
	How many Thread breaks						
	Break or change any needles?						
	How many Trims in Design						
	How many Color changes						
Total time spent on job							
How much actual time was the machine running?							
Total Breakeven point cost for each embroidery							
Was there any machine downtime for repairs? Explain							
Was there any other problems with this job?							

Set up, Production Process, and Finishing Process and you will have your total cost of the job. You can find the total cost for each stitch count category on your Price List Prep Sheet in the Pricing program.

This is not the selling price of the job; this is only your cost.

Now you have to figure out what it is you want for a profit. I would add at least 50% to the cost for a profit. You are in a business to make a profit, start out with a 50% markup right from day 1. You will add this profit point to your cost for your final selling price.

This is something that you really need to think about but you can compensate for that by adding a few more percentage points to the profit such as 75% instead of 50%.

Creating a profitable embroidery pricing structure is not hard, but it does take some time to get all of your figures together so that you know exactly what your costs are on a monthly basis and then doing those very crucial timings!

If you have not gone through my Pricing Program, I would strongly recommend that you do so before you go any further. If it has been a while since you have gone through the program and created your pricing, I would recommend that you take the time out to go through it again to make sure that you are on top of your costs and that your pricing is in fact correct and current.

Once you have your Cost Analysis Figures done & do some timings, it will create your price list for you!

You just have to remember that every second you spend in your business; it is either costing you money or making you money. Which do you want?

Final Price List

DO NOT go by the old rule of \$1.00 per thousand stitches. That seemed to be the norm for retail pricing for many years! That is not going to work for you in today's market. You will end up losing money and that is not what you are in business for!

Make sure that you get started on all of your timings so that you will have a better idea as to what you should really be charging based on all of your own costs and the profit that you need to make for your business! If you have a price list and it has been a while since you did not some checking and timing, take the time out to do some so that you know you are on the right track. **DO NOT SKIP THE PROCESS! Your Business will suffer as a result!**

Below is a basic Price List however it is not one you should use. It is one that I created some time back for my retail store. You will need to create your own. This will not reflect your costs and it is very important that you create

Stitch Count	1 Piece	2-5 Pieces	6-35 pieces	36-71 pieces	72-143 pieces	144 pieces & up
4000	\$17.52	\$9.12	\$6.47	\$5.09	\$4.86	\$4.79
6000	\$19.59	\$10.99	\$7.40	\$6.05	\$5.80	\$5.72
8000	\$21.46	\$11.83	\$8.33	\$7.01	\$6.73	\$6.66
10000	\$23.32	\$12.77	\$9.27	\$7.97	\$7.66	\$7.59
12000	\$25.19	\$13.70	\$10.20	\$8.93	\$8.60	\$8.52
14000	\$27.05	\$14.63	\$11.13	\$9.89	\$9.53	\$9.46
16000	\$28.92	\$15.57	\$12.07	\$10.85	\$10.46	\$10.39
18000	\$30.79	\$16.50	\$13.00	\$11.81	\$11.40	\$11.32
20000	\$32.65	\$17.43	\$13.93	\$12.77	\$12.33	\$12.26
22000	\$34.52	\$18.36	\$14.87	\$13.73	\$13.26	\$13.19
24000	\$36.39	\$19.30	\$15.80	\$14.69	\$14.19	\$14.12
26000	\$38.25	\$20.23	\$16.73	\$15.65	\$15.13	\$15.05
28000	\$40.12	\$21.16	\$17.66	\$16.61	\$16.06	\$15.99
30000	\$41.98	\$22.10	\$18.60	\$17.57	\$16.99	\$16.92
32000	\$43.85	\$23.03	\$19.53	\$18.53	\$17.93	\$17.85
35000	\$46.65	\$24.43	\$20.93	\$19.97	\$19.33	\$19.25
40000	\$51.31	\$26.76	\$23.26	\$22.37	\$21.66	\$21.59
45000	\$55.98	\$29.09	\$25.60	\$24.76	\$23.99	\$23.92
50000	\$60.65	\$31.43	\$27.93	\$27.16	\$26.32	\$26.25

one that does reflect your costs and no one else's.

In this program I am only covering pricing for embroidery, but the process works the same for any type of

decorating process you have. It is all about time and the cost of your supplies to create that process. If you have several processes as most embroiderers do, you will need to follow the pricing program so that you can create price lists for each one of your departments or services.

I show you how to do that in my pricing program. In order to be efficient in all of your processes and setting up QuickBooks it is important to have a good price list for each area of your business! Now, I know that this all takes time, but it is very important. Just take it one step at a time and one department or service at a time. Do not try to do this all at once or rush through it. You need to take the time to get through it to make sure that it is accurate and that you are making money in each and every department.

Combining Garment & Embroidery Pricing

If you are selling garments to your customers, you will figure your cost of the garment from the distributor, add on shipping and then add a markup to that. I usually work on a 40% to 50% markup after both the cost and the shipping has been added. Once I have that figure, I will then add the price of the embroidery. This is the total price for the product and the embroidery. I have a spreadsheet all laid out for this in the Pricing Program.

Items Brought in by Customers for Embroidery

If you are embroidering garments that customers have brought in to you, you will need to add a higher profit percentage to your embroidery price. You are not making anything on the garment, so you need to have a higher markup on that embroidery and that is an additional price list.

Action Steps

1. Download all of your forms & Complete them
2. Complete the Year-End Accounting Workbook
3. Go into the “How To Price Embroidery” program and complete the Cost Analysis
4. Create your Price Lists for Embroidery
5. Purchase QuickBooks if you do not already have it

In our next lesson I am going to talk about setting up QuickBooks, Setting up your Chart of Accounts, Setting up your Products, This too will be a huge lesson. In order to get it all done in 4 weeks, there is just a lot to be done each week. You are going to be so happy when it is finished! Trust me on this!!

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