



**Software Systems for Direct Selling Companies**

*Serving True Start-up Through Enterprise Clients*

# How to Start Your Own Party Plan Company

**TEN Essential Questions to Ask And Answer  
Before Launching Your Party Plan Company**



**The ONLY Party Plan Software  
Created By a Party Plan Company!**

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# 10 Essential Questions to Ask BEFORE Launching Your Party Plan Company

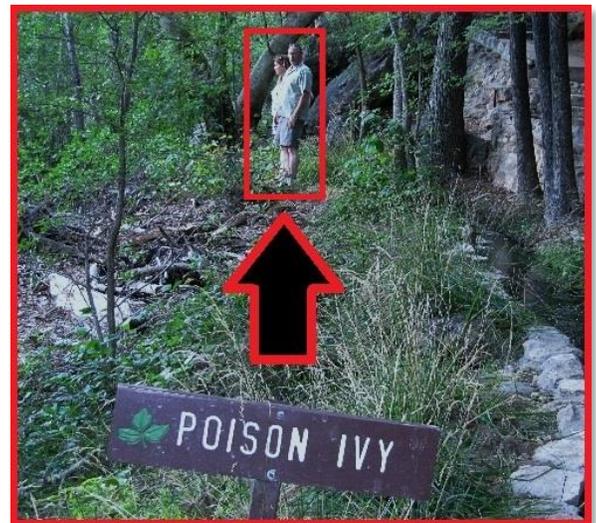


***Don't spend a dime until you have the answers!***

Welcome! If you found your way to this list of essential questions about starting a party plan company, you've probably already done some research. When I started my own party plan company, I asked a lot of questions, but I missed some of the ESSENTIALS. I ended up spending far more money than I needed to spend, we lost a lot of time, and we even got lost in the weeds.

## **No, that's not me lost in the weeds!**

I love this picture. The people really have no idea how much trouble they're in. If they had stayed on the path (like the signs say!) they would have had a very enjoyable day!



***My purpose is to help other entrepreneurs get on the right path, and stay on the right path as they move toward launching their party plan companies.***

One of the most painful lessons that I learned through my own launch, was to keep the horse in front of the cart. In giving you these questions, and some of the answers, you should be in a much better position that I was with my start-up party plan company.

From this point on, I'll assume that you already have some of the fundamentals: product, experience, team, and a lot of passion about your company!

### **1. WHY am I launching a party plan company?**

If you've been around the direct selling industry, you know that your "WHY" is the thing that keeps you going when things get tough. What is the primary reason that you want to spend a lot of time and money trekking through the forest to launch your company?

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**Here's a lesson: "Making money is not your WHY".** Obviously, you hope to turn a profit through your efforts, but money is not the end game. What do you want to do with the money? Keep asking yourself this question until you identify your ONE ROOT purpose. With every cycle of questions, also ask yourself what benefits come from achieving your goals, as well as who benefits. You should be able to get this WHY answer down to a single sentence -- and this sentence may be the basis of your mission statement.

## **2. Do I have realistic expectations about what it takes to start and operate a successful party plan company?**

Unless you've "been there and done that" as an executive in a direct sales company, you probably don't realize how many moving pieces are involved in bringing a direct sales company from dream to launch, to sustained success.

Think of all of the skills needed to start and operate a successful business:

- ability to create a business plan
- ability to come up with significant capital
- ability to ensure legal compliance in all areas
- ability to set pricing to ensure profit to the company, without creating barriers to buy for consumers
- ability to work with complex financial documents, including taxes
- ability to select products that appeal to a specific target market
- ability to process online purchases (and handle refunds)
- ability to ensure an adequate stock of inventory (and a place to store it)
- ability to pick, pack and ship tens or hundreds (or thousands) of orders PER DAY
- ability to create attractive collateral materials (e.g., business cards, brochures, catalogs, etc.)
- ability to create an attractive and fully functional e-commerce website, with both consultant tools and administrative tools
- ability to recruit, train and retain consultants who actually DO something
- ability to measure success and identify weak areas before they become "problem areas"
- ability to push a broom and take out the trash (I expect that you don't have janitors and maintenance workers -- I worked out of my garage and home office for years!)
- and I'll stop here, because this list is virtually endless.....

**Whew! How do you plan to manage the various aspects of your business?**

**Here's another lesson: "If it's not your genius, it's not your job."**

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If you're the CEO of your own company, you have the vision piece covered, but you can't achieve your vision on your own. You need a TEAM comprised of people who see your vision and have skills in the areas where you aren't a genius.

You say that you can't afford to hire this team of geniuses? You're right -- you can't afford to hire them, but who do you know who has expertise in these areas who might agree to be an unpaid advisor to you? Before I started my company, UCAN2 Cook!, I had a vision and I assembled a team of experts in the areas where I wasn't the expert:

- THREE executive chefs, each with expertise in different areas
- ONE awesome graphic designer/print expert
- ONE incredible wife who figured out the technology and managed to keep our finances in order!
- TWO successful business owners who coached me to raise investor capital
- ONE interim Chief Financial Officer who helped with the financial part of our business plan
- ONE interim Chief Operations Officer
- ONE Director of Operations
- ONE intellectual property attorney who ensured that our company name, logo, and other brand elements were well protected
- ONE general business attorney in my local community
- ONE securities attorney who helped with our capital formation
- ONE MLM attorney who helped ensure our legal compliance (**did you know that the MLM industry governmental oversight is a function of the Securities Exchange Commission?**)
- ONE former international marketing executive from a Fortune 100 company
- SEVERAL very experienced INVESTORS who provided guidance and mentoring throughout the process.
- Again, I'll stop here, because I had A LOT OF HELP!

**Now, this part will blow you away: Of all of the people who helped me, only one Capital Coach, the interim CFO, the Securities Attorney, the IP Attorney and the General Business Attorney charged me. Because they believed in ME and in my company's mission, their fees were crazy low!**

All of the others either volunteered their time and talent, or I found alternative ways to reward them. For example, my MLM attorney needed some marketing help with a non-profit organization, and we provided some design work for business cards and brochures and had them printed for next to nothing. In exchange, I received many hours of legal counseling, including document review, PLUS the ability to list the attorney as one of my

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advisors. My cost: \$70 to print and ship cards, a nice evening out for my wife and me with my graphic designer and his wife, plus a few hours of volunteer work with the non-profit.

Can you guess why so many joined my advisory board knowing that they were working for free? They joined and lent their expertise BECAUSE I ASKED THEM FOR HELP.

If you are passionate about what you're doing and you know where to look, you'll find people who will love to help you. Think about it. When someone who you believe in asks you for advice in an area where you're an expert, how do you respond?

### 3. How much money should I plan on spending before we launch?

Ah, excellent question. The answer is "it depends". Some experts will tell you that you need \$1,000,000. My advice is to do some of your own research before determining your budget.

First, if you haven't done so already, get out in the field and conduct your own parties with your products. You'll get a good idea of how people react to your products in a group setting, and whether or not you feel that there's enough interest to keep moving forward. When you have people begging you to let them sell your products, give them some products to sell! I don't mean give away for free -- either let your wanna-be consultants have the products on consignment, with the wholesale price due after their party, or let them purchase with a discount (more than you paid, but less than retail). You can figure this out.

If you believe that you can grow your company from grassroots, that's what I recommend. We raised capital before we sold anything, and raising capital was one of the most difficult tasks that I've ever had. If you have some "traction" in the marketplace, in terms of real sales to customers who love your products, finding team and even capital is easy.

**Here's a lesson: "It really does take money to make money, but you don't have to have all of the money up front. Be creative and find ways other than money to achieve your objectives."**

You do have considerable start-up expenses to plan for if you decide to move forward with your party plan sales channel. You'll likely need to hire some experts in those areas where you're not a genius. I don't mean that you'll actually need to put these people on the payroll, but be prepared to pay for accountants, graphic designers, and most likely a general business attorney and an industry consultant.

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You'll also need party plan specific software. Do your homework here, as the cost and functionality are all over the board. Look at several systems so you know what's available. **All direct sales systems have the core functionality for MLM, but not all have true party plan functionality.** Be sure to compare apples with apples when you're doing your due diligence, and eliminate those systems that are pieced together to do party plan.

I'm not bragging when I say that **Easy Party Plan is the only party plan software on the market created by a party plan company, for party plan companies.** We've been in your shoes, and we've felt your pain!

Our new Easy Party Plan 3.0 is an awesome product that: 1) is affordable, even for true startups; 2) is full-featured and can handle a new company's needs throughout its life cycle -- from startup to growth to maturity; 3) has features and functionality that are truly future-oriented; 4) is easy to use.

#### 4. Do I have sufficient resources to not only get me through launch, but to fund operations for 6 months?

**Here's another lesson I learned the hard way: "It ALWAYS takes longer and costs more."** While you've done the math and your business plan has you in positive cash flow early on, be prepared to go for 6 months or more without much revenue.

I'm an optimist, and I thought that we'd have a lot more interest from like-minded people who wanted to be consultants on the ground floor of my company. Recruiting was harder than I expected, and even then, I learned the realities of working with a volunteer work force.

Plan on doing much of the selling and recruiting yourself (with your core team, of course). Even when you find people who are excited about being in on the ground floor, you're competing for their time. Your biggest competitor isn't who you think it is. **Your biggest competitor is LIFE.**

Yep. Life happens. Think of everything that can possibly go on in your own life. Remember that you're dealing with a volunteer work force, and the motivation to work must be greater than the motivation to go to the kids' soccer game, watch their favorite TV show, or do anything else that keeps them from selling.

#### 5. Am I certain that I know what messages will trigger my customers and potential consultants to buy, enroll and sell?

At the start of this report, I laid out some assumptions. One of those assumptions is that you have great products. You and I know that they're great products, and it's your job to persuade others that the products are great and give them a reason to buy.

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Party plan selling is ideal for selling products that people need to "experience". If your products can be touched, smelled, tasted, or otherwise experienced, and you know that the "experience" makes your target customers feel good, you'll do well. The more people you have at a party, whether it's live or virtual, the more you'll sell. The psychology of party plan sales is very predictable.

As for attracting and retaining consultants who actually work the business, the psychology is a bit more complicated. People are attracted to a particular company for a variety of reasons, and **money is not the only motivator that triggers them to enroll**. Yes, the money part is important, as you're competing against LIFE, and you'll want to create a compensation strategy that allows the average consultant to make about \$25 per hour in order to be competitive.

**Some of the other reasons that people join as consultants are less tangible:**

- **they love the products**
- **they love the company, its founders, and its mission**
- **they love the social opportunities, and being a part of something special**
- **they love being able to buy products at a discount**

If you do a good job of identifying an accurate profile of your ideal consultant, you can create a corporate culture that people with that profile find appealing. Start with creating your ideal company -- write it all out or create a "vision board" or any other physical representation that makes sense to you. Once you know what YOU want, then you can create the profile for the perfect customer and consultant, and **target your marketing efforts** to the groups with members that fit your profile.

I'll share more information about this "targeting" piece at another time, but think of creating the PERFECT customer and the PERFECT consultant. Who are they? What do they look like? What motivates them to get up in the morning? What fears do they have? What keeps them awake at night? There's a lot more here, but you have a good starting place to begin crafting your messages for your perfect targets.

## **6. How will I find a compensation strategy that allows me to recruit and retain people who love my products and who will sell them to others?**

As I mentioned, people are motivated by a number of different "benefits" of joining your company as a distributor. I'll start out with the money part.

Your products must be priced at a point where the customer perceives enough value to part with the money to own the product. Pricing can be very tricky, as you need to price your products high enough so you can reward

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your consultants AND pay all of the expenses of operating your company (including your own salary.), AND bring a profit to your bottom line. At the same time, potential customers are sensitive to price, and if they believe that they can get the same or similar products somewhere else for significantly less money, they won't spend much with you.

I deliberately used the word "significantly" in the sentence above. If someone is a guest at a party, again either live or virtual, they know that the person who invited them benefits from their purchase. The psychology of party plan creates a sort of *obligation* to buy something, even if the cost is a bit higher than comparable products in the regular retail channels. If the cost is too high, however, they either won't buy as much or they won't buy at all. Your task is to find the "sweet spot" that creates enough revenue for the company, yet doesn't create a barrier for your customers.

That said, **the target retail pricing for products sold via party plan is 5 to 8 times your cost.** If your cost is \$2 (including what you paid for the item plus any transportation and other acquisition costs), your target retail price is between \$10 and \$16. You may only get a 3x markup if you're buying small quantities or selling items that are readily available through other retail channels. You don't have to hit the 5x to 8x target on every product, but your OVERALL product mix should be at least 5 times cost. This means that you can have some products that have lower margins, as long as you're selling a lot of products with greater margins.

Party plan compensation plans typically pay out 45% to 50% of their retail revenue if all consultants qualified for every pay level and bonus. In reality, only a handful of consultants ever qualify for the maximum payout, so if you've got good margins on your products, you'll have money left over that doesn't get paid out in commissions or bonuses. **This unpaid commission is called BREAKAGE.**

If you have a lot of breakage, your compensation plan is too difficult for consultants to earn enough money to keep them engaged. If you don't have any breakage, either your comp plan is too easy, or you're paying out too much too soon. You won't find a perfect formula here, but you should really seek advice from professionals to help you with your compensation strategy.

You will have some breakage, and you can use this extra money for anything that you want. You have no doubt witnessed or heard of other companies that have car programs, ocean cruises, and other elaborate events for their consultants who achieve certain goals. Breakage helps to pay for these "extra" bonuses that aren't necessarily in the compensation plan -- **they're part of the overall compensation strategy.**

You can see that compensation gets very tricky. If you don't have a compensation strategy in hand, we can help you with that, too. Whether you get advice from another experienced industry expert or from us, the compensation strategy is NOT something to try to tackle on your own.

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I'm happy to talk with you about your compensation strategy, and we've worked with many of the compensation strategy consultants in the industry. I talked with a business owner recently who paid \$18K for a compensation plan -- don't feel pressured to spend that kind of money if you're just getting going. **My advice to you is to use your limited resources for marketing, recruiting and training, and not for building infrastructure or paying for sophisticated strategies that you can't implement for at least two years.**

For many consultants, the income is the icing on the cake -- their real reward is sharing their love of the products, spreading the company's mission, forging great friendships, and/or being able to buy their own products at a discount. Bake these aspects into your compensation **strategy**.

Take advantage of your early days and create the corporate culture that embodies your company's mission. Your founding consultants can help you with creating the culture, as long as they believe in the mission. If they're on board, ask them for their input -- you don't have to implement everything that they ask for (and they'll ask for EVERYTHING, regardless of what it means to you). Acknowledge their contributions and blend them into the corporate "story".

Yes, you should write your own story: "Facts tell, stories sell." Take lots of pictures. Use social media. Show up at consultant parties and events. Be humble. Allow the consultants to "put you on a pedestal". The early consultants LOVE incorporating their relationship with YOU as part of THEIR story!

**Here's your lesson: "Some intangible benefits are more powerful than the promise of big money."** Be sure to include them as part of your overall compensation strategy.

## 7. Do I really need party plan software if I already have an e-commerce website?

We get this question all the time. Remember what I said about keeping the horse in front of the cart? This question is a great example of putting the cart before the horse -- unless you're aware that you'll need to transition to an entirely new system at some point.

If you're focused on selling product and your e-commerce website is helping you to sell, that's great. If you're focused on recruiting, your e-commerce site won't help you. Consultants expect a party plan/ network marketing company to have tools that they need to build their businesses. Your e-commerce system may have replicated websites with back office access for your consultants, but **no regular e-commerce or MLM system has all of the party plan-specific features and functionality that your consultants need, and more importantly, that YOU need.**

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The bottom line is "yes", you need party plan software, and "no" you can't integrate your existing e-commerce website into the party plan software. Party plan software records a lot of data in its database. Think about it -- not just the customer information and orders, but all of the party management functionality, genealogy, commissioning, host awards, etc. that aren't part of non-party plan systems.

To ensure data integrity and security, your system must be all in one place.

## 8. How should I deal with collecting, reporting and paying sales tax?

Sales tax is so freaking complicated! Only 4 states don't charge sales tax, but the other 46 each has its own laws, rates, and reporting requirements. Sales tax is especially challenging for party plan companies, as the consultant generally gives a party guest a total invoice (including shipping and tax) at the party!

**I am not a tax attorney and I am not giving you specific legal or tax advice. I am merely stating my opinions here, and I insist that you do your own homework to figure out your company's plans for handling sales tax.**

I have some bad news/good news for you.

**First, the bad news:** States are getting increasingly persnickety about collecting all of the sales tax owed to them. For many years now, e-commerce companies have not generally collected, reported and remitted sales tax for sales outside of their own state. I won't go into the history here, but know that changes are coming that will compel companies to collect and remit sales tax in all states where they do business.

**Now for the good news:** If you're just starting out and your annual sales are under \$1M, states (other than your home state) may *want* you to register, collect and remit sales tax, but they *can't compel* you to do so. This means that while you must register, collect and remit sales tax in those states where you have "nexus", you are exempted from being required to do so in states where you do not have nexus (see our Resources page at [partyplansoftware.net](http://partyplansoftware.net) for an explanation of "nexus").

**Now for even better news:** Efforts are underway to make the sales tax issue much simpler for even the smallest of companies. You can read more about this on our Resources page at [partyplansoftware.net](http://partyplansoftware.net) under the "SSUTA" link.

Party plan software includes a method to collect sales tax. Give me a call and I'll share my thoughts with you and tell you how Easy Party Plan helps our customers comply with the various state tax laws.

## 9. How should I handle shipping, with some orders coming in directly from the website, some orders coming in from parties, and some orders filled by the consultant's own inventory?

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Ah, great question! The party management functionality of a comprehensive party plan software system has this all figured out for you. The software allows multiple shipping options, and tracks all orders to the right party for tracking host awards and commissioning.

Advanced party plan shipping tools include the ability to integrate with your choice of shippers and/or fulfillment services.

## **10. Do I need an MLM attorney?**

Ooh, another great question! You need a local general business attorney for sure, and you may or may not need an MLM attorney.

One of the things that an MLM attorney can help you with is ensuring legal compliance in all of the states where you operate.

**If your company is focused on selling real products to real customers, you're probably very safe.** The MLM industry falls under the watchful eye of the federal **Securities and Exchange Commission**. Their primary focus is on ponzi schemes (illegal pyramids), questionable "investment" opportunities and other money games. The attorneys general in the states where you do business are also concerned about these issues, as well as "work from home" scams.

A party plan company focused on selling real products to real customers generally has no problems with the SEC or the AG's. Of course, you'll need some guidance from an experienced industry expert to keep you on track with your language and messaging, and your guide can better advise you after learning more about your company.

## **11. Bonus Question: Where can I find an experienced guide to help me stay on the right path, and who won't charge me an arm and a leg?**

Another great question -- thank you for asking! We have been helping start-up and emerging party plan companies enter the market since 2005.

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A very important "why" for me is to level the playing field for you and others who have the vision and the courage to launch a party plan company. I have seen SO MANY good people with great ideas fail because they didn't have a good guide early in their process. *Too often, people spend too much money, time and energy getting ready to sell that they're out of money, time and energy before they even launch!*

***I can tell you horror stories about some of the things that I've seen and heard in this industry.***

Our motives aren't truly altruistic. Yes, we want to help you to achieve success, and if you're willing to do the work, you'll achieve success and so will we. You probably know that it's harder and more expensive to find a new customer than it is to keep an existing customer. If you're successful, you'll continue to be our customer for a LONG time. You'll also say good things about your experience with us, which, in turn, helps us to find new customers.

**So you see, we're more than just a technology partner that provides your software.** We're your PARTNER for the life of your company, and we'll do everything possible to help ensure your success. We're committed to keeping you out of the weeds and on the right path toward achieving your dreams, and we make it VERY EASY for you to work with us (read this as Affordable, Helpful, Friendly!).

As I've mentioned, we want you to do your due diligence. Yes, talk with us and schedule a demo of our incredible Easy Party Plan 3.0 and we'll share our pricing model with you. Talk with and demo at least 2-3 other software suppliers, too. You'll learn what's available for you right now, what's available for you as you grow, and what you can and can't afford.

Document your findings, and then create a list of your "ideal" system's MUST HAVE, NICE TO HAVE and DON'T WANT features and functionality. Rate each vendor/system according to your list, and then go back to the apparent winner and ask for a second demo, where you can ask lots of questions and really get to know if or how a technology solution may work for you.

I invite you to contact me directly, and I promise that I'll never give you a hard sell pitch. We get to pick and choose who we work with, too, so the determination of "good fit" has to work both ways.

If your company seems like a good fit, both for you and for us, we can move forward one step at a time.

## **In Conclusion....**

I hope that you found value in reading this report. Had I known to ask these questions before we launched my company, we would have had a much better experience -- at least we would have known which horse to put in front of the cart at any point in time. **Oh yeah, and we would have saved a lot of time, money and energy!**

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If you have a good product that people love and are willing to pay the price that you need to make a party plan company viable, let's talk before you spend any money to bring your product to market. If we're not a good fit, I can probably point you in the right direction so you can at least find the path and not get stuck in the weeds.

Did you find this information valuable? If so, please [like us on Facebook](#) and [subscribe to our newsletter](#). Share Easy Party Plan with others who you know who need to know about us!

**Regardless of the path you take, know that there are advocates for you in this world who care more about your success than about taking your money from you before someone else gets it. Easy Party Plan is ALWAYS an advocate for people and companies that strive to do the right thing for the right reasons.**

To Your Success,

David