

Intro Music: [00:00](#)

Speaker 1: [00:07](#) You are listening to the Level Up podcast, a podcast for high performing business women and I am your host Kendra James Anderson. I am CEO of The Finance Femme LLC and a Virtual CFO to several successful women entrepreneurs. Here I'll be sharing business tips and the occasional life hack that help you get higher profits and business and more time to live your best life. Whether you want to scale your business to six or seven figures and beyond, have already hit millionaire status or if you're just getting your business started, this is the podcast for you. Hey guys, Kendra here and today we're talking about the four levels of ROI. So a few days ago I posted in my IG

Speaker 1: [00:59](#) stories asking about what topics do you want to hear more about on this show? And many of you responded that you wanted more insights into this four levels of ROI that I'm always talking about. So in an earlier episode, episode number four where I talk about how to go from cash low to cash flow, I give a few keys on how to increase cash flow. And one of those keys is knowing your spending and part of knowing your spending is understanding the four levels of ROI. So ROI equals return on investment and we are going to talk all about that and what that means in this particular episode. But before I do that, I want to share with you how you can get your questions answered on the show. So I know you have questions on how to grow your business, how to scale, how to scale strategically, how to make more money in your business, how to put yourself on payroll, right.

Speaker 1: [01:47](#) These are questions that I know that you have. I see them in my comments on Instagram, I get them in my DMS and I'm here to answer these questions for you. So on the website you can go to the podcast page, which is [thefinancefemme.com/podcast](http://thefinancefemme.com/podcast) and you can submit your question. So if it's a general question, we can answer it here in the Q and A segment of the podcast show. Or if you're really ready to take your business to the next level, you can request a free on-air coaching. So yes, you'll be invited on the show as a guest, I'll provide you with the specific steps and strategies that you need in your business to level up. It's a very exciting opportunity to get one-on-one coaching with me, which I no longer offer as a service. So the only way that you can get specific steps from me for your business is with on-air coaching, which is a great opportunity.

Speaker 1: [02:37](#) Again, I guarantee that you're not the only person with that question, so you're not only going to leave with your exact needs, but you'll also be helping out other high performing

women that are out there. So if you need to know how to get started with paying yourself a salary or how much to pay yourself in business, or how to make that next hire, how to get some structure in your business, head on over to the website, [thefinancefemme.com/podcast](http://thefinancefemme.com/podcast) and select the option to be a contributor and then submit your information. Okay, so let's hop back into ROI. So again, ROI equals return on investment. ROI is what I believe should drive most business decisions because it is just that important. So a business that focuses on ROI has higher profits, more sustainability, higher cashflow, less stress, less stress on the business owner, and less stress on the business itself.

Speaker 1: [03:31](#) Less risk. And it's just overall and better financial health. And a business that does not focus on ROI has the opposite, right? So it has low profits, sometimes no profits, a negative cashflow, lots of stress, lots of risks. It's flat out, just not sustainable. And it's likely a matter of time before that business is going to close. So the reason why ROI is so important is because it's tied to the most important resources in your business. Your business is money and your business is time. So money and time, because there are resources that we always talk about, right? Because they're just so valuable. So let's talk about the four levels and then at the end I'm going to share with you how to determine how much to spend in each level. And I'm also going to give you an example of how one business owner can spend in all four of the levels and you're going to love that.

Speaker 1: [04:20](#) So definitely stick around for that. So the very first level is direct ROI. It's spending money that directly gives you money back. So the example that I like to give with this one is if you buy a cell phone that costs you \$50 then you turn around and you sell it for \$90 you're going to profit \$40 right? \$90 minus \$50 \$40 so you're going to profit \$40 that is you buying something and directly selling it for businesses that buy low and sell high, that's direct ROI. No, I'm talking about the act, right? The act of buying low and selling high and not the entire business model. So everybody went out there that buys low and and sells high. Don't think that I'm saying your entire business model is perfect. No, no, no, no, no, no. We'll talk more about that here in a second.

Speaker 1: [05:04](#) But I'm talking about the act of specifically buying something low, selling something high that is directly giving you money back. That is a level one direct ROI. Level two is indirect ROI, which is spending money on something that frees you up to make more money. So paying an assistant \$15 an hour so that you can go out there and make \$100 an hour, right? Or some of

these applications or staff, these cloud based software solutions, those are indirect ROI. So as an example, an email marketing system because it automates part of your lead generation, and sends out emails to the masses versus you sitting down copy and pasting emails to all of your prospects out there, right? So it saves you time for \$50 a month as an example. That is level two indirect ROI. So level three is a convenience.

Speaker 1: [05:56](#) That's you're truly paying for a convenience. So a convenience isn't always directly tied to incoming funds. So it can just be convenient by lessening a burden on you. And that in turns can potentially increase more income, but not necessarily. So as an example, if you have a business meeting in Houston and you live in Dallas instead of flying or instead of driving that four hours, you fly and it costs you \$200 for that plane ticket, right? So this is the example I always give because I live in Dallas and if I had to go to Houston, I would probably pay the convenience. So pay for a \$200 flight versus driving the four hours. Maybe it's worth the \$200 to you because you'll be more refreshed. Maybe you'll perform better in that meeting because you're more refreshed. But at the end of the day, it's a convenience, right? That \$200 is it convenience?

Speaker 1: [06:49](#) Now level four is luxury. So that's paying beyond just the convenience. It's paying for something that's more luxurious, if you will. So the same exact example. You live in Dallas, you have this business meeting in Houston. Instead of paying the \$200 for your coach, you're paying \$600 for first-class, right? That additional \$400 is simply beyond your basic convenience. Are you really going to be that much more refreshed and perform that much better with first-class, maybe. Right? But it is beyond convenient for many. Now with that being said, everyone's luxuries are different. First-class isn't luxury to some. I recognize that for some people, private jets are luxury, right? First-class is basic and private jets are luxury. It's less about what the luxury is and it's more about what the financial benefit is, the return that it's bringing into the business. Now note that I said the business, right?

Speaker 1: [07:47](#) Not you, the owner. It's about the return that is bringing to your business and that's for any level. That's ROI in general. ROI is about the return that your business is getting, not the return that you as an owner is getting. So let's go deeper there. So we've talked about the four levels. We'll go more into that in a second. And I'll give you that example that I know you're going to love. But this is something that's really important to talk about, especially as it pertains to ROI. So when you're running a

business, you have to think about the business separate from you. So think about your business as its own living, breathing thing like a child. It's not an extension of you. Meaning if your business generates \$1 million, it generates \$1 million. That money is not by default yours, okay? If it's your sole source of income, of course you can pay yourself from the business to take care of your personal expenses, but that comes in the form of a reasonable payroll or an owner's draw, because remember, it's a business.

Speaker 1: [08:47](#)

So with that, remember where you are in your business, right? And what your intention is with your business. Are you in this business to make a quick buck this year and you don't even care if it survives until next year? Or are you in this business and you want to pass it down to your children or you want it to fund your life in the retirement years? Because if your intention is for this business to be longterm and sustainable, then you have to act that way, right? I don't care if you're making eight figures a year in your business, if the majority of your expenses are in level three or level four, which is convenience and luxury, it's only a matter of time before that money is it going to dry up? Right? So level one and level two are literally the levels that bring money back into your business.

Speaker 1: [09:31](#)

So the mix of the four levels that you should take in your business, it really is dependent on where you are in business. Like are you trying to grow or are you only trying to have that thing last a year? Right? But regardless, it's always a good idea to live more in level one and level two with an occasional level three and a rare or a periodic level four, right? Maybe businesses fail because they're living in convenience, and luxury way too much. So in podcast episode number nine, that was called, "Why Focusing on Sales is Killing your Business" that was a good episode y'all. That was a really good episode. In episode nine, I talk about how many of you are eating your businesses profits, business is making profits. But you're eating it. You're literally eating it. Whataburger. You know, In and Out Burger, wherever, little fancy restaurant that you're going to, you're eating all your businesses profits, you're driving all your businesses profits with these different cars.

Speaker 1: [10:33](#)

Of course you can, you could have a car, you need a car, but do you need five? Do you need that car? Like you're driving your businesses profits, you're wearing your businesses profits with all of these designer clothing. Meanwhile, your business is starving. It's barely able to have a positive cashflow. Now again, I am not anti luxury. Please believe I am not anti luxury. However, I am in the camp of understanding where you are in

your business. And if you're just living a life of luxury, but your business is starving, that life of luxury is not going to last that long because you're not going to have the funds to keep it up. So you want to make sure that you're doing things kind of in proper order, right? You don't want to be starving your business, especially if it's your sole source of income.

Speaker 1: [11:17](#)

So that's because too many people are just focusing on spending and then not focusing on spending with good ROI. So let me in that with an example, right? This is where I want to give you this example of a single business owner and how she can practice great spending versus poor spending using the four levels of ROI. So let's say that her name is Tina and Miss Tina owns a bakery. So she sells these amazing baked goods in her local shop. She even mails orders across the United States. So most of her baked items, she sells are the ones that she makes from scratch, but she does buy some goods from specialty shops and then resell them. Okay, so let's go through the four levels. So Tina buys from specialty shops wholesale. So as an example, she can purchase a case of cookies in bulk and it results in each cookie costing her 30 cents each wholesale.

Speaker 1: [12:15](#)

But then she can sell it to her end consumer for \$2 retail. That is direct ROI. That's level one. She's selling it for \$2 it's costing her 30 cents. So every cookie, she's earning a dollar and 70 cents, right? That's level one. So Tina's bakery is growing. She decided that she's going to hire a Baker's Assistant so that they can pump out more cookies. So this Baker's Assistant is going to cost her \$250 a week, but the assistant can then produce over \$5,000 worth of baked goods in that week and they usually sell out. So that is indirect ROI because that Baker's Assistant is essentially contributing about \$4,750 to the business each week. She can produce \$5,000 worth of product and the only cost \$250 to pay her. So she's contributing \$4,750 a week. Indirect ROI. Now, Tina also gets orders from people who aren't local and they want their products shipped to them.

Speaker 1: [13:18](#)

So packaging and shipping in Miss Tina's bakery, it only happens on Monday when the bakery is closed. But Tina would rather rest on those days than ship the items herself. So instead she pays a college student to focus solely on meticulously packaging and bringing the orders to the post office. And that way she can sleep in on Mondays, have her Mondays off, and she pays this college student \$100. So you see that's a convenience. Tina could come in on Monday and do it herself, but she'd rather just pay this college student the a hundred dollars so that she can sleep in and rest. So again, that's level three, right? Convenience. But now let's say the business is going along and

business is booming. So Tina decides to kick it up a little bit. So instead of paying this college student the a hundred dollars a package and ship, she found this local company that comes to your location, they package your product, they handle all the shipping of all of your orders.

Speaker 1: [14:12](#)

So now you don't have to worry about a college student potentially calling in and saying they can't come in on this Monday. And now you have to process the orders yourself. So you've decided to hire this luxurious firm. It's going to come in, handle all the details for you, but it's costing you 350 a week instead of the a hundred dollars a week. So you see how that's above and beyond convenience, right? That's a luxury. So that's costing \$350 a week. So you see how there are four distinct levels. So again, there's nothing wrong with Miss Tina deciding to hire this lux firm at \$350 a week if she can afford it. But what if Tina hired this lux shipping firm before hired the Baker's Assistant that could help her actually produce more, right? So now she has this firm, but they're not even really shipping orders because she doesn't have the assistance that she needs to help her actually create more product to sell.

Speaker 1: [15:04](#)

Right? Or what if she hired a college student to help her ship out orders, but instead of her making a \$1.70 profit for each cookie, she didn't focus on the direct ROI. So now she's really only making 20 cents a profit per cookie, right? So now she has this college student that she's paying this money to ship out orders, but she's only making 20 cents in profit versus a \$1.70 in profit. So do you see how levels matter, how the order of the levels matter, how the mix of the levels matter? If Tina just jumped into this business and started hiring this lux firm, from the jump and didn't even really have orders to fulfill, sure, it might've felt great to say, Oh, I have this this team or I'm utilizing this firm and the packaging looks so, you know, so amazing, so spectacular, but you're not generating enough income to even have that make sense. So I'll leave you with that example and hopefully you found this helpful. Hopefully you now understand how to utilize the four levels of ROI in your business. Definitely hit me up on Instagram. Please share this episode and if you have any questions related to the four levels of ROI or anything else, or if you want to be coached by me on the show, then head on over to the [financefemme.com/podcast](http://thefinancefemme.com/podcast) and submit your information.

Speaker 2: [16:21](#)

All right. I'll talk to you guys next week. That's a wrap for this episode. Be sure to go to the [thefinancefemme.com/podcast](http://thefinancefemme.com/podcast) to get the show notes and links mentioned in this episode. And if you heard any gems, be sure to share it with a friend and subscribe.

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M E and leave a comment. Thanks for listening.