

Written Remarks from Sherry Stewart Deutschmann
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and
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Submitted to the House Education & the Workforce Committee – Minority Panel
on the Business and Economic Case for Raising the Minimum Wage
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Representative Scott, thank you for inviting me to speak today. It is an honor.

My name is Sherry Stewart Deutschmann and I am the founder and CEO of LetterLogic, a small business in Nashville, TN. I am also a member of the National Women's Business Council, a small group of female business leaders whose role is to advise the Small Business Administration, the President, and Congress on issues related to female entrepreneurship.

Please allow me to share some basic background information on myself and my business. In 2002, as a single mom with only a high-school education, I cashed in my 401k and had a week-long yard sale to raise the capital needed to start my own company, LetterLogic, in the basement of my home. That bet on me turned out to be a good one because my company quickly outgrew my basement and is now a \$36 Million company. Indeed, our growth has enabled us to be recognized by INC Magazine as an INC 5000 company for nine consecutive years, an honor bestowed upon the fastest growing privately held companies in the US.

My company processes and delivers patient billing statements for hospitals nationwide, doing so in both traditional print/mail formats and also electronically. Though our business has a high-tech component, most of our jobs are in the factory, where our employees operate machinery that prints, folds, inserts, and then sorts over 235,000 bills each day. These positions could easily be filled at the minimum wage, which is \$7.25 an hour in Tennessee. However, our entire business model was built on my belief that I could build a better company if I took extraordinary care of the employees. I believed that well-cared for employees could better focus on turning out a high quality product and impeccable service, and their loyalty and dedication would create a corresponding loyalty among our clients. And, I believed that a loyal client base would happily pay a higher price for the best service.

Though we've always paid the highest wages in our industry, until a few years ago our entry-level pay was \$12 an hour. At that time, we began looking at our employees and trying to understand the kind of life we were enabling them to create, and as our "litmus test" we used the following baseline: "If the two lowest-paid employees of LetterLogic got married, what kind of housing could they afford? Could they afford to start a family? What schools would their children attend? How much of their income could they save?" And, at that point, we raised our starting wage to \$14 an hour, and then just a few months later, we raised it to \$16.

In the months since we increased our minimum starting wage from \$12 an hour to where it is now at \$16 an hour, my company has grown from annual revenues of \$27.5 Million to \$36 Million, 25% growth over a 27-month period. But what happened to the bottom line is even more striking. In that same time frame, our net profit increased 300%. Yes, when we increased our minimum starting wage from \$12 an hour to \$16 an hour, our revenue increased by 25% and our profit margin tripled. Yes, we made other smart business decisions that helped us achieve those results, but we believe that putting the needs of the employees above all else was a major contributor.

Moreover, my fast-growth company has zero debt – also a factor we attribute to the financial results of paying our employees fairly.

We are confident that our results are duplicable, that putting the needs of the employees first is a great business model. During the last three years, we've polled our clients bi-annually and they express their happiness and loyalty when 100% of the respondents say they'd recommend us, and 99% say they rank our service as Excellent or Good. But they DEMONSTRATE their loyalty by staying with us. Indeed, over the last three years, our revenue churn rate has been only 3.2%.

I'd also like to touch briefly on how a higher minimum wage affects the local economy by sharing the story of Kim, a woman we hired a few years ago. She says this is the first workplace in her life that she is making enough money that she has to work only one job. She is now able to fully commit her energy and attention to her job at LetterLogic, taking great care of our customers and better care of her family. And, she left an open position for someone else to fill.

From my experience operating a small business, I can attest to the value of paying a living wage. When employees are paid a wage they can live on, they are better able to focus on the demands of their jobs. The quality of the goods and services they create are much better and build customer loyalty to the point where the company can be more profitable and sustainable.

When I pay a starting wage of \$16 plus benefits my employees have more money to spend at other businesses. The very least other businesses can do is pay a wage that allows their employees to afford the basics.

My business can set a good example, but I can't do it alone. The businesses with me in Business for a Fair Minimum Wage can't do it alone. The federal minimum wage, which Tennessee follows, has not been raised since 2009.

Increasing the minimum wage to \$12 by 2020, as called for in the Raise the Wage Act, is an overdue step in raising the floor for businesses, communities and our economy. Raising the minimum wage will increase productivity and reduce the costly turnover that plagues so many short-sighted low-wage businesses. It will boost sales by putting more money in the pockets of workers who most need to spend it.

Raising the minimum wage is good for business!