

INVENTORS COUNCIL

OF MID-MICHIGAN

PO Box 232, Lennon Michigan 48449

Web Site: INVENTORSCOUNCIL.ORG

The Inventors Council is an independent, non-profit 501 C-3 corporation formed to help inventors pursue their dreams of bringing new and innovative products to market. Our goal is to help fellow inventors succeed in the most efficient and least costly manner possible by providing education and business networking.

Founded by Robert (Bob) Ross in 1995

We meet monthly at Walli's Restaurant, 1341 South Center Road Burton, Michigan. Just Two blocks south of I-69, Exit 139

VOLUME FOURTEEN

NEXT MEETING THURSDAY, March 11, 2010, 7:00PM

NUMBER THREE

March Featured Speaker

Starting at 7:00 pm March 11, 2010

Our speaker is Bill McHenry, President of Entrepreneur Sales and Marketing that provides sales, marketing, and business development services to help inventors and businesses grow.

Bill will be delivering his Branding presentation that he has trained many companies, small and large.

Come hear Bill deliver this valuable training which should be very interesting to our inventors. See you all there.

The meeting will begin at 7:00pm in the upper level of Walli's Restaurant on Center Road in Burton.

February 2010 Meeting

Arlin Blum delivered a rousing presentation about RC Fishing to our members. His story was one of never giving up and finding methods to build and source products.

Arlin claimed that he was not a speaker, but you couldn't prove that by how well he held the audience attention and had us laughing with his simple story of how he solved one problem after another.

We want to thank Arlin for a great night of learning and fun.

Members Guest Pass

All members will be receiving a guest pass at the March 11 meeting (see Jim Harris). The pass allows a guest free admission to a regular meeting. We encourage each of our members to invite a friend to the meeting and use the guest pass to cover the admission fee.

Our goal is to help as many people as possible so bring a friend and get them involved helping others.

Determine if Your Invention will be Profitable "before" you Produce the Product

Let me explain to you my method for determining the "wholesale price" I will have to sell my products for in order to have distributors order and sell any of my products to distributors or stores.

Before I give you the formula, let me lay out some hard facts about distributors. They do not care what your costs are, but only what their mark-up is.

They do not care what your product features are as long as they believe they can sell the product.

They care far more about the discount and margin rate than about the list price as long as it is competitively priced for their customers. **Remember that all stores need products to sell and they are always on the lookout for profitable products to sell.**

They do not care if you have a patent or not. They only sell what they buy, not defend it. A patent does not add one penny to their cost because they won't pay it.

These and many other things being said here is how I figure my wholesale prices.

I find what the competition sells similar products for and I know that I cannot exceed their price point (retail price). People may like my product better, but few will pay more for something comparable in quality and usage.

Once I know what my similar type of product retails for in the stores, then I simply assume that I must offer at least a 50% discount price target to the large distributors. Most of the time I only offer a 40% price reduction to the retail price (called price point in retail jargon), but I know that I will have to give up the additional 10% in other terms that large chains and co-ops will extract from you.

I use this competitive retail price point less 50% to determine my working wholesale price target. This is the price I must be able to sell my product for in order to get distributors to handle my product line.

With my wholesale price known, I now attack the cost model of my design to see if I can make a profit on this product. If I can make the product for 25% (see the Manufacturer's Margin formula for your type of business model) or less of the wholesale price target, then I proceed with the design, engineering, and production of the product. If I can not make the product for this low price, I drop the idea and move to the next one.



MARKETING

Hints from the Fog
by Mike Ball, President



Determine if Your Invention will be Profitable (cont.)

I have dropped several ideas that were not cost effective, even though I know I could sell some product, but not make a profit. (You can always sell a few of anything) What is the point in that?

One example is an idea my wife wanted me to do. It was a picture hanging tool to automatically hang pictures level and centered. I always start with a sketch first so I know a rough size and shape as well as some of the challenges I may face in manufacturing such a product. This only costs me some daydreaming time and some paper.

Once I have done this, then I research the existing products on the market and their price. Why don't I do this first? Simple, I want to see if I have a "better mousetrap" idea first and worry about competition second.

When I search for what competition is out there, I check for three things.

First I look at the product design and match it against my idea. Since I have sketched my idea blind, I was not influenced by any existing design.

Next I look at the retail pricing. I already know that I must sell at a 50% discount to the big guys so I know the wholesale price easily.

Finally, I look for distribution. This is the most important measurement to me. If a product does not have dealers and distributors selling the product across the nation, then it will be hard to sell to my distributors or anyone else. Why no one is selling this product is the first red flag for me.

The results of my search revealed two designs better than my initial sketch. (Much better) Also revealed was the multi piece design that would require additional tooling and labor to assemble which adds cost to the manufacturing process.

One product had a high enough price point (\$19.95) that I could produce my idea at a profit, but the other product sold for too low a price. There is no way they could make a profit on that product at \$4.99 retail price point. Something was wrong.

The final item was distribution. The low price tool had only one catalog and a web site (their own) selling the product. (Your own web site is sales but not distribution) The expensive one (a well designed and quality product) had only Canadian distributors. It's main competitor is the largest competitor in the world we all face. The competitors name is "do nothing". Buy nothing, just use a big hammer and hang the pictures without a new tool. This is always the biggest competitor a new idea faces.

Needless to say, I dropped the idea (even though the sketch is still in my "development" folder with other of my "dead ideas").

You must determine your target "selling price" before you do the cost analysis for the manufacture of the product. Price (retail channels call it price point) will determine if you can make a profit when you sell it.

Never build a product that is not profitable. Work on your next idea and make a profit on it.

2010 Invention Training and Speaker Series will begin for our members in March

We will be announcing the speaker and subjects each month in the ICMM Newsletter. Various Club Members will be the trainers presenting depending on their expertise.

The training and presentation material is free to our members. If you know people who want to learn about the inventing process, invite them to attend. Our club is growing and we want to help others bring their inventions to market.

The first topic covered will be "The White Board Idea Fest". This is the process that is used by the Product Development teams in Manufacturing Companies to map out a plan to evaluate and implement product and process ideas.

Mike Ball will lead the hands on training. You will not want to miss the first session

2010 Dues for ICMM

We are currently at about 72% dues paid for 2010. Please send dues to Jim Harris as soon as you can. They are only \$55 per year. After March 11, 2010 all members with dues not paid will then be considered as visitors when they attend a meeting.

Invention Review Panel

For objective evaluation and priceless feedback, share your invention ideas with an educated group of inventors, business owners, engineers and authors!

Our Panel will sign a non-disclosure agreement to guarantee your ideas are kept secret while we provide you with the input needed to make decisions, no matter what stage of the invention process you're at!

There is a \$25.00 cost for a review. The Panel meets at 6:00 pm before each meeting. Call Panel Chairman Marty Sovis at 810-659-6741 for an appointment.

Review Panel Members
Marty Sovis Rick Mason
Jim White Mike Wiley

Bob Ross 1919 - 2004
Inventors Education Column

Inventors Event Notices

National Hardware Show
 (May 4-6 : Las Vegas)
 Covering every Home Improvement and Lawn, Garden & Outdoor Living Category

Invention & Idea Show 2010 - Minnesota Inventors Congress
 Redwood Area Community Center,
 Redwood Falls, MN
 June 11-12, 2010

Test market your products. Sell your products from your booth. Attend Inventing Success Workshops. See web site:
www.minnesotainventorscongress.org

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