

## Varnex Spring 2016

### **Make Massive Margin with Your Own Product: How to Create it, Market it, and Sell it**

#### **Part 1: Inventing a Product**

Mark S A Smith

Mark.Smith@BijaCo.com

Working with leaders who want to develop the best way to bring in the right customers, fast.

#### **What Do You Want?**

Consider how to make more money

Invent a product

Bring a product to market

Academic exercise.

#### **Creating Products is a Team Sport**

You

People who have done it before

Customers

Prospective customers

Suppliers

Cheerleaders and experienced advisors

Not welcome:

Opinions from those who haven't done it before

Those not of the target market.

#### **What's Your View of Risk Versus Reward**

Employee

Trades regular wholesale labor for a check

Owens nothing but personal energy

Business owner

Buys at wholesale, sells at retail

Owens the customer relationship

Entrepreneur

Creates new value

Owens the ability to innovate, create, and ignore criticism.

#### **Why Bring a New Product to Market?**

Make lots and lots of money

100-1,000 percent margins or more

Increase margins for existing deals

Increase average deal to 40 percent margin or more

Business growth: more offerings

Leverage of others' relationships

"It's what I do."

#### **Why Avoid this?**

It's hard work

It will require investment – time, money, relationships

Distracts me from my current business

It could fail

I don't like failing.

#### **What if Someone Steals My Idea?**

"Ideas are a dime a dozen. The person who puts them into action is priceless."

Joe Sabah

"People with few ideas don't have many good ones."

Mark S A Smith

"Steal all my ideas you want. I'll make more."

Mark S A Smith

#### **Why You?**

Entrepreneurial

Understand operating a business

Understand reselling products and services

Have customers

Have access to capital

Can market and sell

Want to do something fun.

#### **Case Study: Classroom Technology Solutions - Cy Marshall**

Creates CTS-branded products

Blends with low-margin products

Sources from Hong Kong & Taiwan

Advice:

Not for the faint of heart

Need enough demand

Create partnerships

Invest \$1,400 to go to the Hong Kong Electronics fair for four days.

#### **Case Study: Black Box - Montgomery County Schools**

Project: Mobile Device Storage and Charging --

Roll out 60,000 devices and 2,000 carts for K-12

Goal: Wanted very reliable, durable, easy to move, fast to deploy, safe and easy to adapt to changing technology

Challenge: Provide a unique, high-value, flexible solution -- reduce time to wire, speed of deployment and adherence to very tight schedule

Solution: Black Box provided a custom universal cart and a rapid wire system that cut over 1,000 hours of deployment time

Outcome: Black Box and reseller partner won

Sales Cycle: 90 days – Multi-year roll out

Revenue: \$4,000,000 plus

Thanks, Jay Jenkins!

#### **Why Now?**

Digital marketing

Mobile devices

On-demand printing

3D printing

China manufacturing – Alibaba.com

Digital distribution

Massive physical distribution: Amazon, Zappos, eBay

Payment collection infrastructure.

#### **The World in 2025:**

##### **8 Predictions for the Next 10 Years**

1. \$1,000 Brain
2. 1 Trillion-Sensor Economy
3. Perfect Knowledge
4. 8 Billion Hyper-Connected People
5. Disruption of Healthcare
6. Augmented and Virtual Reality
7. Early Days of JARVIS
8. Blockchain

<http://singularityhub.com/2015/05/11/the-world-in-2025-8-predictions-for-the-next-10-years/>

#### **How to Figure Out Where There's**

##### **Opportunity**

Solve blood-spurting problems

Sell to centers of passion

Make desired customer actions frictionless

Do something...

Better

Cheaper

Bigger

Smaller

Virtual

Physical.

#### **Creating Innovation**

Product

Improve -> Innovate

Packaging

Small -> Large

Placement

Central -> Local

Price

More -> Less

Preference

Mass Marketing -> Personal Identity.

#### **Some Product Types**

Tools

Software

Middleware

Hardware bundles

Cloud offerings

Education

Publications

Consulting

Services

Music

Games

Apps

Mobile devices

Entertainment

Physical products

Healthcare

Identity

Security

#### **Let's Invent!**

1. What's the blood-spurting problem?
2. Describe the problem in one sentence
3. Describe the solution in one sentence
4. What are the searchable customer characteristics?
5. What's the tangible value when a customer buys this that proves it's worth it?
6. On a scale of 1 to 10, how tightly can you target customers?

## **Make Massive Margin with Your Own Product: How to Create it, Market it, and Sell it**

### **Part 2: Taking it to Market**

Mark S A Smith

Mark.Smith@BijaCo.com

#### **Go to Market Process**

1. Invent a product for a target market
2. Test market to prove you can find buyers
3. Roll out distribution
4. Exit strategy
5. Rinse and repeat.

#### **How to Describe It**

“Elevator pitch”

What, Why, How

Problem, solution, outcome, new value

“You know how... well now you can... and the result is... Who do you know that would find that valuable?”

#### **Does the Opportunity Add Up?**

What is it?

What does it do?

Who with money buys it?

How much will they spend?

Can you engage a conversation?

How many are there?

Can you cost-effectively reach them?

#### **Test, Test, Test**

Check auto-complete on Google, Amazon, eBay

Talk to everyone...

“Would you review this sales copy?”

#### **How to Test the Market and Create Proof of Value**

The only opinion that counts is a paying customer

Who do you know that would be your alpha customer?

What two accounts, if they bought, would make your market?

#### **How to Decide to Go to Market**

Can I make the money goals?

Does this amplify my business goals?

Can I outsource the parts I don't want to do?

Will this be fun?

#### **What's it Going to Take...?**

Investment

1/3 R&D

1/3 Marketing

1/3 Customer support.

Margins

Minimum: all first run costs 30% of sales price

Better: 20 – 25 % of sales price

Best: 5 – 10 % of sales price.

## **What Price to Charge to Make the Most Margin**

What value does it generate?

Can you collect for that value?

What does the market pay now?

Can you deliver it and make enough margin?

What do you want to make?

Can you sell that many?

What is your exit strategy?

Can you sell enough to hit that number?

#### **Protecting Your Intellectual Property**

Non-disclosure agreement

License

Copyright

Trademark

Patent

Trade Secret.

#### **The Six Pillars of Every Successful Business**

Products that create unique value for the target market

Marketing that creates relevant conversations

Sales that facilitates profitable transactions

Customer service that earns loyalty

Business infrastructure that scales with economic cycles

A sustainable culture that supports a unique customer experience.

#### **Writing a Business Plan**

<https://www.sequoiacap.com/article/writing-a-business-plan/>

We like business plans that present a lot of information in as few words as possible. The following business plan format, within 15–20 slides, is all that's needed.

Company purpose - Define the company/business in a single declarative sentence.

Problem - Describe the pain of the customer (or the customer's customer). - Outline how the customer addresses the issue today.

Solution - Demonstrate your company's value proposition to make the customer's life better. - Show where your product physically sits. - Provide use cases.

Why now - Set up the historical evolution of your category. - Define recent trends that make your solution possible.

Market size - Identify/profile the customer you cater to. - Calculate the TAM (top down), SAM (bottoms up), and SOM.

Competition - List competitors - List competitive advantages

Product - Product line-up (form factor, functionality, features, architecture, intellectual property). - Development roadmap

Business model - Revenue model - Pricing - Average account size and/or lifetime value - Sales and distribution model - Customer/pipeline list

Team - Founders and management - Board of Directors/Board of Advisors

Financials - P&L - Balance sheet - Cash flow - Cap table - The deal

## **Finding Partners Who Can Speed the Process**

Ask Varnex members

Ask someone who's done it before

Assemble an advisory committee

Google search.

#### **What are You Going to Do Next?**

#### **Get More...**

A recording of every event I've done for Varnex

[BijaCo.com/Varnex](http://BijaCo.com/Varnex)

Weekly eMail with Customer Acquisition Tips

[MarksEzine.com](http://MarksEzine.com)

Regular on-line events

[MarksWebinars.com](http://MarksWebinars.com)

Let's talk!

[MarksSchedule.com](http://MarksSchedule.com)

[Mark.Smith@BijaCo.com](mailto:Mark.Smith@BijaCo.com)

[MarksWebinars.com](http://MarksWebinars.com)

[MarksOnLinkedIn.com](http://MarksOnLinkedIn.com)

[MarksOnFB.com](http://MarksOnFB.com)