



## SUCCESS TACTICS

### Business Plan? Marketing Plan?

#### Part 6

A sale requires exposure and exposure is what business calls “Marketing”. In our first Newsletter we talked about taking a dry erase board and listing all the ways we could make sales. If you do not remember, let me recap.

*Let's say you plan to make your own product line. I like to use a big white dry erase board and start brainstorming all the ways to make sales (get exposure). This is the beginning to my marketing plan. Right now you don't care how you plan to do all this marketing, but you want to list all the possibilities, make sure to allow room for new ideas. Some ideas you may never want to use, but list them anyway. This may percolate a new source from a different angle? The marketing plan should affect your business plan as well. These two go hand in hand. Do you need a store front? Are you going to be a home business? Your marketing plan may help you decide.*

*Go over to your dry erase board and see how many legs you can come up with. (Definition: legs are each idea to pursue) Please see the chart I have included. Let's start with Exposure/Sales at the top. How many ways can I get exposure? I think the first two legs should be Retail – Wholesale, then start brainstorming ideas. If you look at the chart (which is far from complete) it took me less than 5 minutes to come up with these ideas and I have run out of room. The whole time spent doing this exercise has given me a few more product development ideas that could be made using a laser. Many a business will start out with one business plan for products but find they are driven by a niche that brings them more profit. This happens through marketing, exposure, and sales!*

Now that we have some ideas let's discuss some specifics! First, I would like to cover one marketing idea that some may have not experienced. In many of the large cities across America promoters will have Gift & Merchandise shows. These shows are filled with manufacturers (like you) from around the country who have products they want many buyers to see. Some of these shows will even draw buyers from around the world representing Mom & Pop shops to corporate chain stores. I have seen buyers from major catalog companies, Disney World, Cracker Barrel, even sales reps who call on thousands of other buyers who never make it to a show.

Can you imagine having a booth at a show where your products have the potential to be exposed to thousands of buyers who will surely be buying in quantity? What is that type of exposure worth? Could one sale allow your company to find its niche? Anything is

possible with exposure. How much marketing would you have to do to get this level of exposure? I am not saying you have to do this type of marketing but I surely want you to be aware of it and to understand how it works and also some idea of the cost!

I live in the Atlanta area and we have a large gift & merchandise show twice a year. One show is in January (for summer goods) and one is in July (for winter/Christmas goods). Let me give you a visual of the size of this show from my perspective. Three buildings, each individual floor is the size of three super Wal-Marts in space with each building at least 24 stories high. The space inside is rented in 10' X 10' increments where a single booth will cost you about \$3000. The price will be more if you want a corner booth. At the Atlanta Mart your carpet, table, risers (if needed), booth sign, curtains, and a trash can is included with the price. If you need electricity or something special, it is extra. You will need to ship (or bring) your display booth and merchandise to the show. Atlanta has a shipping terminal, if you deliver your booth display in the allocated time frame they will deliver it to your show space at no extra cost. Of course there is always POV (Privately Owned Vehicle). That is where you bring your booth display to the show in your personally owned vehicle. If you need assistance to get everything to your booth there is a charge.

Basically I want you to be aware of what the total cost could be. Remember, this is one of the biggest shows around, so prices may vary with other cities. Booth space, booth shipping, hotel, food, and travel could easily reach \$5000. Ideally, the cost of doing a show of this size can be reduced if you have friends in the area. The Atlanta Mart is made up of what is referred to as "Temporary" booths and "Permanent" booths. You will be renting a temporary booth for your first show, but may end up with exposure in a permanent booth at the next show. I will explain later.

"Hey Buzz, if I'm looking at spending between \$3000-\$5000, what do I get for my advertising dollar?" You get 5 days of exposure to buyers and catalog companies from all over the world, not to mention every big sales rep company looking to represent the next new product to hit the market. The last Atlanta show bragged they had 80,000 pre-registered buyers (sometimes the math is fuzzy). Does this mean you will become an overnight success? I don't know, but I can guarantee you without exposure for your products you will struggle. How much would it cost to see just 20,000 individual wholesale buyers over a year's period? This show could give you that exposure in just 5 days at one location!

I need to explain how the wholesale market works on pricing for your products. The standard is 100% markup for the buyer. So, if you are showing a product that has a suggested retail price of \$25.00 then your wholesale price needs to be \$12.50. This is the price that should be shown on the product you display. Buyers will automatically figure the suggested retail price. A professional buyer does not care how much they like your product if they cannot see the value at the suggested retail price. Some buyers may sell your product at more than the 100% markup; others may discount it for volume sales.

Let's look at one group of buyers (actually I call them another exposure method), namely "Sales Rep Companies". Some will have permanent booths in several cities across the nation. In those permanent booths they can bring in buyers year round. They also have individual reps that make sales calls to buyers in many regions throughout the country. If one of them decides they want to rep your products, you will need to supply them with samples for their permanent booth space and for the sales reps to carry around on sales calls. How does this work? A sales rep will generally ask for 15% to 20% of the wholesale price as their commission. Now your gross income on an item with a suggested \$25.00 retail price is down to \$10.00. Ouch! I know throughout history everyone seems to make more money than the manufacturer. Can you see how creating a product line becomes fun? What can I create with minimum material cost that can carry a high retail value? The ultimate chess game of business!

There are other sales methods at the Gift & Merchandise show. Let's take catalog companies. When I speak about catalog companies, the ones I want to discuss are the companies who are selling your products as their own. Usually they want you to drop ship (which allows mass marketing of personalized items). Drop ship means you will be shipping the finished products to their customers, directly. Some will want you to stuff info for them and to use their shipping labels. Many will even provide an invoice to be inserted. None (that I know of) will allow you to place any of your own advertisement in the package or ever contact any of their customers directly for follow-up sales.

Things you should know: Some companies will ask for you to chip in for artwork cost to add your products to their catalog. I have issues with this practice. Some will ask for a flat fee on drop shipping the products to their customers. Here are a couple of issues to think about. Will the product you ship be about the same weight? Do they require you to use a specific shipping company? Will the flat fee quote be for domestic-only shipping? None of this should be a deal breaker. I prefer actual cost plus \$1 to \$2.00 to cover packaging. If a flat rate is required,, just see what shipping cost is for different zones. Let's look at an example. UPS has 8 zones. You could pick zone 6 and add \$1 to \$2.00 and that is your flat rate. Sometimes you may lose a little money. Most times you will come out ahead.

Catalog companies will be looking at your products as a complement to their magazine sales, along with a pricing structure to make money. Catalog companies typically want to make 60% of the retail price or 2.5 times wholesale. How does the math work out? You have a product that has a suggested retail price of \$30.00.  $\$30.00 \times 60\% = \$18.00$ .  $\$30.00 - \$18.00 = \$12.00$ . \$12.00 is what they are willing to pay wholesale for this product. Can you still prosper and grow your business at this price? The most common way the math is done, you have a wholesale price of \$12.00 on your product they quickly figure  $\$12.00 \times 2.5 = \$30.00$ . Can they sell your item at that price? If not they will just move on.

I am out of space. I have so much more I would like to cover with doing Gift & Merchandise shows. I believe knowledge is power and the more you understand, the

easier it will be for you to try something out of your comfort zone. I hope to continue this discussion in my next Newsletter. Never be scared to try something new!

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