

# INVENTORS COUNCIL

OF MID-MICHIGAN

PO Box 232, Lennon Michigan 48449

Web Site: [INVENTORSCOUNCIL.ORG](http://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, April 8, 2010, 7:00PM

NUMBER FOUR

## Club Networking Night

Starting at 7:00 pm April 8, 2010

There will be no outside speaker this month.

Training will be conducted on "Cash Flow for Inventors" Mike Ball will be conducting the training session. Come prepared to learn.

Networking Night— We will be breaking out into small groups by subjects: marketing, design, engineering, patent research, etc. Just pure networking.

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

## March 2010 Meeting

Our speaker was Bill McHenry, President of Entrepreneur Sales and Marketing talked about building your brand and networking. It was a great presentation. We want to thank Bill for a great night of learning and fun.

**New: "Single Step"** We will be adding a new item to our agenda each meeting. It will be called "Single Step" and will be asking the audience what step did you take to move forward this month. We will be asking for one item only. The longest journey begins with a single step and we want to encourage our inventors to take at least one step toward completing their invention.

It could be a sketch, working on a mock-up, doing a marketing search, attending a seminar, or networking with someone about an issue for your invention.

Be ready to stand up and tell the other members about your "Single Step" this month.

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

## Cash Flow for Inventors

### (How to make sure your invention will pay for itself)

Patents, mock-ups, marketing studies, formation of a company, sketch, design, engineering, molds, machining, networking, distribution, margins, packaging, advertising, financing, investors, and on and on.

No wonder some inventors get overwhelmed. It is true there are a lot of details to consider if you are going to invent and market your new product yourself. Even though you can hire and get help, you are the only one who can decide if the idea is worth the risk. It is all risk for anything in life, job, stocks, house, etc.

But a bigger question is: Is it a high or low risk idea? That really depends on your own definition of risk. It also depends if you have enough money to invest in your idea without risking your lifestyle.

Even if you believe your invention (not just an idea) is going to succeed, I still want you to use good business calculations. The importance of following the cash flow process is that it allows you to assess the risk and reward of taking your invention to market in actual numbers.

You still must have a product before you need to do anything. Product, product, product is what I preach because it is the only thing people or companies can buy. I am not going to explore all the things you must do in order to produce a product, I have written extensively on many of those subjects in the past.

I want you to assume that you have completed the design, engineering, market research, mock-up, prototype, packaging, etc. and believe that this product fills a need for people. You have a good plan for where you think the distribution network is (who will sell, buy, or use it)

Now I want to see if my product will pay for itself and how many I must sell to recover any investment to start up. I use the cash flow analysis for this. You must know a few basic things for this.

1. You must know your price point. (What your product will sell for to end user)
2. Method of distribution (how you will sell it) and the discount rate involved.
3. Your net cost per piece or product (this is total direct product cost only)
4. Your net revenue per piece or product (money you will receive on each sale)

You can now create a realistic estimate of **how many units you must sell** to break even on your investment and start making a profit on your product. You must quantify and account for all the product direct costs. You must subtract this from your revenue you receive for each product. Everything must be reduced to the margin you will receive for one unit in order to calculate a cash flow model.



## MARKETING

Hints from the Fog  
by Mike Ball, President



### Cash Flow for Inventors

#### (How to make sure your invention will pay for itself) (Cont)

Revenue — Costs = Margin (Contribution)

Revenue is the **exact amount a customer pays you** (not price point) for each item you sell. If you are using a store to sell your products, you will receive your price point (retail price) minus their discount. If you sell direct on the web, you get the whole amount but the quantity may be low.

Costs are all the direct manufacturing and packaging costs. These cost do not include any indirect costs like rent, taxes, electricity, etc.

Example: I will give you an actual margin of one of the products I actually sell. I do a cash flow analysis on everything I produce **before** I produce it.

EZ-1500M Metric Insert  
(Cost and margin model) (Retail = \$15.95 (Avg. Wholesale = \$8.92)

Guides	.14 each (qty 4)	\$ .56
Production Material	1.02 each	\$1.02
Direct Labor	Included in Production	
Packaging	.21 each (bag & insert)	\$ .21
Shipping Box	.07 each (12 per box)	\$ .07
Transportation	.10 each	\$ .10

Total Cost per unit = \$1.96      Margin per unit = \$ 6.26 (margin)

Production Tooling Cost (Mold) = \$4150

Break even on investment = \$4150 divided by \$6.26 (margin) = 662.93 units

I now know in exact numbers what it would take to recover my investment. This is an additional product to my Pro-Line Series so I felt confident I would recover my costs rapidly. It took 6 weeks to sell the first 1000 units so in less than 6 weeks we were cash flow positive on every unit sold.

The point is that you need to quantify the risk. I felt very good about the risk, but you must decide for yourself about your invention (product). If the cash flow analysis said I needed to sell 10,000 units, my decision would have been not to do it based on facts, not emotions or opinions. We have sold thousands of these and it is one of our more profitable products.

Always reduce the decision to numbers. You must decide what costs and revenue you must have to take the risk of putting your product into production. Facts not talk is all I listen to. You should get in this habit every time in order to minimize your risks.

## Inventors Activities Coming Up

Inventors Contest for 2010 in Kansas City

We are holding our 5<sup>th</sup> Annual National Invention Contest August 3<sup>rd</sup>, 2010 in Kansas City, MO.

Our Submission dates are April 1, 2010 through June 30, 2010.

Our submission process is automated and can be done via our web site.

[www.theICKC.org](http://www.theICKC.org) [Contest 2010]

(See page 3 for more events)

### 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](http://www.minnesotainventorscongress.org)

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**FastTrac® NewVenture Orientation.** Don't miss out...There's a big push in Michigan to make FastTrac programs, the Kaufmann Foundation's world-renowned, gold standard in education for new and second-stage entrepreneurs, affordable and available to our state's entrepreneurs. Plan to attend one of the two hour, no-cost orientation sessions being offered around the state for the FastTrac NewVenture course. Attending one of these orientation sessions is mandatory for acceptance into the course and to qualify for a scholarship (up to a \$700 value). See website for details: <http://www.misbtadc.net/events.aspx>

**Bizdom U Information Sessions.** Bizdom U is an entrepreneurship accelerator that provides training, incubation space, and funding for businesses that want to launch or expand in the City of Detroit. The training is interactive, hands on, and mirrors the lifecycle of business development. Workstations are available in an incubation office space at no cost. If your business plan is approved, Bizdom U will invest up to \$100,000 in the business. Register to attend an information meeting to receive detailed information and application materials. Meetings are scheduled for Wednesdays at 6 p.m. and Thursdays at 10 a.m., 5260 Anthony Wayne Drive, Detroit. Call 313-833-7800 or e-mail [get-info@bizdom.com](mailto:get-info@bizdom.com). to register for an information session. Application materials are available at <http://www.bizdom.com/>.

**Ann Arbor New Tech.** Fostering tech entrepreneurship by facilitating communication, providing access to resources, and creating community. Their flagship event is held the third Tuesday of each month and features three to five companies presenting five minute demos and answering audience questions. Contact [organizers@a2newtech.org](mailto:organizers@a2newtech.org) to be included on the agenda. Additional information is available at <http://www.a2newtech.org/>.

**EntreMeetup: Entrepreneur and Social Entrepreneur Meetup.** Networking opportunity for entrepreneurs. Learn about other attendees' interests, skill sets and new opportunities, watch presentations from recent start-ups (seven min. presentation, three min. Q&A) and quick elevator pitches, announcements, and life changing book nominations. Includes a business card table and 20-second intros for first time attendees. Details: Tuesday, **April 13**, 7-10 p.m., 2470 E. New Castle Lane, Midland - <http://www.entremeeetup.com/events/>

**Ask-The-Investors Roundtable.** This GLEQ-participants-only event invites Detroit Boost participants to join us for an opportunity to ask investors questions about what they look for in investable business plans. A panel of venture capital and angel investors will field questions and provide suggestions to help entrepreneurs build a better business plan. This is an informal event for entrepreneurs to meet investors one-on-one and get their individual questions answered. Details: Monday, **April 12**, 5-7 p.m., Lawrence Tech University, 21000 W. Ten Mine Road, Southfield - <http://www.gleq.org/>

**TECH Cocktail Detroit.** In conjunction with the FutureMidwest Conference (see below), entrepreneurs in Michigan who have an early stage tech startup company can apply for the opportunity demo at TECH Cocktail the evening prior to the conference. Demos are presented expo-style; a more relaxed and intimate conversation with other local entrepreneurs and technology enthusiasts. If you would like to participate, complete an application form from <https://www.techcocktail.com>. Space is limited. Details: Thursday, **April 15**, 6:30-9 p.m., BlackFinn American Saloon, Royal Oak- <http://techcocktaildetroit.eventbrite.com>

**Oakland County Money Smart Forum.** Sponsored by the Oakland County Community Reinvestment Act (CRA) Association, this forum is intended to provide entrepreneurs with up to date information on sources of funds and valuable resources to support their businesses. Panel will address the audience and elaborate on their services. There will be a display of bank services and an opportunity for entrepreneurs to meet one-on-one with the various bankers and address financing needs. Details: Friday, **April 23**, 8 a.m. 12 p.m., [Oakland County Business Center MI-SBTDC, Executive Office Building, Waterford](http://www.misbtadc.net/events.aspx)-<http://www.misbtadc.net/events.aspx>

**A Michigan Success Story: CEO of Biggby Coffee - Master of Leveraging Social Media.** Networking is an integral part of business growth and lead generation. Join Automation Alley's Business Growth Committee for the B2B Networking Series to learn more about making networking work for you and your business. Bob Fish, CEO, Biggby Coffee will present the history of his company, the elements that brought the company to where it is today, and the important role that social media played in its success. Details: Wednesday, **April 14**, 4:30-6:30 p.m., Automation Alley Headquarters, 2675 Bellingham, Troy- <http://www.automationalley.com/>

**Success is accomplished a Single Step at a time. Slow and steady is the safest and surest way to inventing success. Invite a friend to a Club Meeting.  
We are inventors helping inventors.**