

# Inventors COUNCIL

OF MID-MICHIGAN

PO Box 311, Flushing, Michigan 48433

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 EIGHTTEEN

NEXT MEETING THURSDAY, JUNE 11, 2015 7:00PM

NUMBER SIX

## Thursday June 11, 2015 Meeting

We will be talking tonight about how to create a development file for your invention ideas.

Mike Ball will share his processes with the members. He will also show some ideas he is working on and some that failed.

He will stress financial safety in the development of ideas and knowing when to let the idea go and move on to your next idea.

It will be a hands on learning night.

Come and network and learn from others.

See you all at 7:00 pm for a fun night of learning and helping each other.

## Thursday May 14, 2015 Meeting

Our speaker was **Chris Foster, President of HiBu Digital Marketing firm.**

**Chris shared Web marketing techniques and all the changes that are taking place in the internet and ways our inventors can take advantage of on line marketing.**

**Chris did a great job of presenting the material.**

**Thank You Chris.**

## 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.

ICMM  
Home of the Happy Inventors



## MARKETING

Hints from the Fog  
by Mike Ball, President



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 the 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.

## 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's a \$25.00 Donation for a Review. The Panel meets at 6:15pm before each meeting. Call Panel Chairman Rick Mason at 810-659-7935 for an appointment.

Review Panel Members  
Marty Sovis Rick Mason  
Jim White

**Bob Ross 1919 - 2004**  
*Inventors Education Column*

## *Inventors Resources*

**Michigan Inventors Clubs**  
Inventors Council of Mid-Michigan  
[Inventorscouncil.org](http://Inventorscouncil.org)

**Muskegon Inventors Network**  
[Muskegoninventorsnetwork.org](http://Muskegoninventorsnetwork.org)

**Grand Rapids Inventors Network**  
[GRinventorsnetwork.org](http://GRinventorsnetwork.org)

**Jackson Inventors Network**  
[Jacksoninventors.org](http://Jacksoninventors.org)

**MidMichigan Innovation Center**  
[ww.mmic.us](http://ww.mmic.us)

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