



Testing the Waters

BY BOB REISS

Long-time friend of MANA Bob Reiss has graciously allowed *Agency Sales* magazine to serialize his book *Bootstrapping 101: Tips to Build Your Business with Limited Cash and Free Outside Help*, available now on Amazon.com. The book looks at surprisingly effective low-cost and no-cost ways to acquire the resources you need to run your company. Whether your company is an existing enterprise or a start up, a manufacturers' representative company or a manufacturer, this book will introduce you to innovative ways to cut your costs and drive more of your income into bottom line profits.

Oftentimes entrepreneurs — blinded by their belief in their new product idea which is reinforced by their loved ones — lunge full force forward in the production and marketing of their can't-miss product. They will invest in some or all of an optimistic quantity, expensive brochures, displays, molds, public relations campaign, advertising, and more. All this, based on their personal beliefs. Optimism and confidence are valuable traits for an entrepreneur, but sometimes they are misguided and extremely costly.

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No one is smart enough to know in advance how consumers and the market will react to their new product. Large companies can absorb a failed product. Small company failures can be fatal.

Small companies don't have the money to do the extensive research and testing, as do their larger brethren. Here are some (almost) cash-free ideas to test your new product concepts in advance of your cash commitment to its success.

- First, accurately research the cost of your total product or service and the costs to bring it to market. Then determine your selling price. Knowing this will make the following steps more realistic.
- Make an inexpensive prototype or good drawings and show them to select potential customers and ask them if they would buy it at the price determined.

You will get a variety of answers from “yes” to “no” (with or without emphasis) to “maybe” or “yes,” if you would change this or that. If there is strong feeling one way or another, it can point you to the right action. If every buyer said they wouldn't buy it, I would probably abort or go back to the drawing board to re-invent it. You

should know that many buyers are flattered that you are soliciting their input. If they are affirmative or you incorporate some of their suggestions, they often take some ownership in the product and feel obligated to buy it when ready.

The most dramatic example of this type of testing for me was when we secured the license to market a TV Trivia Game from *TV Guide*. This was at the time Trivial Pursuit was beginning to become a phenomenon. We felt we had a short window and certainly didn't know how we would fare. We quickly made a good package prototype and brought it to the Toy Fair along with a copy of the cost-free ads we would be running in *TV Guide*. (We received these free ads as part of our license agreement by offering a higher royalty.) When we presented our prototype in February, we promised a May delivery and asked for orders. Lo and behold, we received more than \$2,000,000 in advance orders from this one prototype. In all fairness, this outcome was also due to our good reputation in the industry. (Buyers trusted we would keep our word.) The fact the ads were offered with customers' names and that trivia games were becoming a hot category made it irresistible to buyers.

However, if at the annual industry Toy Fair, all the key customers had shown no interest, we would have aborted the entire project. This would have saved us a good deal of money as we had not yet developed the 6,000 questions needed, nor the final artwork, and certainly no inventory or sales materials. This would be money saved to use for another product.

Some Testing Ideas

- Focus Groups are used by many companies to judge the viability of their idea. This process can be done by professionals for a fee or you can assemble your own group gratis. (Don't use family or friends.) I do not put great faith in focus groups as I think it is different asking someone if they will buy something than actually reaching in their pocket for cash and handing it to you. They can, however, point you to a possibly extreme mistake.
- Many companies initially introduce a product nationally or internationally. However, for us small biz folks, we should test in small controlled areas first. This reduces risk; but just as important, you learn from the effort. Nobody can anticipate everything. Your testing-induced



knowledge can lead you to important modifications of your product or offer. These changes can be the difference between success and failure.

- Talk to the salespeople who will be selling your product. You should know which of them are honest sounding boards. Many salespeople tend to tell you what they think you want to hear.
- The Direct Mail industry and the 1-800 TV ads generate huge sales of product. However, they never invest heavily in product until they *know* it will be successful. This they do by testing. If a mailer has a list of 20,000,000 potential customers, the test offering might be to 50,000. If that works, they might test 500,000. If all these early tests work, then they will do the entire mailing list.
- The Internet allows you to test your product in the same way.
- Home Shopping Networks. When we were in the watch business, we always tried to introduce our new offerings first to the Home Shopping Networks, HSN and QVC. Aside from their volume potential, they were a perfect testing vehicle for us. We knew immediately which watches were the winners and losers. This fantastic knowledge was not only at no cost, but we made a profit.
- If your product is sold through a retail store, talk to the retail sales clerks who are selling your product. They are a gold mine of information. Here is my Wal-Mart story, where I visited a few of their stores regularly to see how they were doing with my rotating disk watches. Watches are sold in the jewelry department behind a counter with a sales clerk in attendance all the time. I would visit these stores mid morning when the traffic was at its lightest.

The sales clerks were usually flattered to have the president of a company talk to them. (Albeit a small company) I would ask lots of questions like why is this watch displayed where it is? What type of watches sell best? Do more women or men buy my particular type watches? As I got to know them through follow-up visits, I would venture questions about other companies' watches, like what were the best and worst selling watches in the department? I received good answers.

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One day I happened to ask the sales lady if her customers requested any particular subjects for our topic-oriented watches? She said, as a matter of fact, a number of times customers came in and asked if we had the Cat and Mouse watch. This was the first watch we made, and it was subsequently copied by someone who sold it on TV. This was now two years later. I then visited other Wal-Mart stores and asked the sales clerks the pointed question, "Do your customers ever ask for the Cat and Mouse watch?" The answer in all instances was yes.

Armed with this information, I contacted our buyer at Wal-Mart headquarters in Bentonville, Arkansas, and relayed the information about the Cat and Mouse watch requests in her stores. She verified my findings and proceeded to place an order for our Cat and Mouse watch for most of her stores.

Over the years, I have had consistent positive feedback, leading to good things for our company by visiting the retail sales clerks. They are the direct link with the consumer who buys your product. Often, they know much more than the higher paid corporate buyer who spends most of his or her time behind a desk. A number of new product ideas have emanated from this source. The only investment for me was my time.

If you are a service company, you should strive to have regular dialogue with those who use your product, not just its buyers. Those are the ones in the trenches who know all the pro's and con's of your product and could probably tell you how to improve it.

Remember, talking to people costs nothing, and you have no obligation to follow the advice you get. However, if you ask good questions and are a *good listener*, you can save yourself lots of money and discover new actionable ideas.

MANA welcomes your comments on this article. Write to us at mana@manaonline.org.

Bob Reiss was a national manufacturers' representative for 14 years before changing his business model and becoming a manufacturer who sold through manufacturers' reps. He has been involved in 16 start-ups and one of his companies was named to the *Inc.* 500 list of America's fastest-growing companies for three years in a row. A native of Brooklyn, New York, he is a graduate of Columbia University and Harvard Business School. An army veteran, he is the author of *Bootstrapping 101 — Tips to Build Your Business With Limited Cash and Free Outside Help* and *Sales Reps*, both available now on Amazon.com.

