

Gene Fourney: Hello. My name is Gene Fourney. With me today is Joe McVoy, who has founded and built three national companies selling consumer products. With two of these, he sold over \$45 million worth of products he invented to Wal-Mart, Target, and many other retailers. Good day, Joe.

Joe McVoy: Hi, Gene. How are you doing?

Gene Fourney: Great. So why did you decide to make this CD and the course you're putting together?

Joe McVoy: Well, a couple reasons. First, for individuals or inventors. I have had people coming to me over the years asking for help in creating products to sell to retailers, and instead of taking hours and hours trying to explain the basics, I thought I'd get it all down on CD's and written material so they could refer to it. And what I found happening within individuals is they may spend lots of money and years developing something that has no chance of selling. So I thought it would be a good idea if I could explain the product development process to people so they wouldn't waste years and years of their life doing something that isn't going to work.

Gene Fourney: Can you give me an example of how you've personally sold products to large retailers?

Joe McVoy: Yeah. I started out founding my first company with another guy who had a small screen-printing business, and we started out in the promotional products and souvenir business. And what turned out is, like what manufacturers – if they're interested – somebody who already has a product is wanting to sell to retailers, they think it's too hard, too expensive, will take too long, is too foreign to them to do. And the point of this CD is – one of the points of it – is to explain to people, it's not that hard and it's not that expensive, either for an individual or a company. When I first started, I didn't have any money.

Gene Fourney: So how did you do it?

Joe McVoy: Well, I found a partner, a guy I could work with, who did have a little money. He had two employees, one of whom was his wife, so we're not talking big company here. But he was screen-printing, and we started making some custom screen-printed souvenirs and custom printing. And what it turned out is I realized as we were doing this that the business is very competitive. If you want vinyl bumper stickers screen-printed in three colors, you can call up ten screen-printers and they're all going to bid the thing

within a penny of each other, and you're not going to make much money. And that's the kind of thing we were in. We couldn't make much money.

So I said, well, why don't we create products that we sell to the end consumer. So most printers print something for somebody else, and maybe it's something that gets sold in the store; the somebody else they printed it for is the one who creates it and sells it to the store. So my thought is, why don't we do both. And we started that in souvenirs and souvenir kind of products. Lots of artwork on Mount Rushmore, Empire State Building, you know. It was nuts.

But we were able to sell small quantities of souvenirs, and now we were able to sell the price – we were selling a little decal for 50 cents now, instead of – all we could sell it for was 8 cents on a bid. Big difference. Wouldn't you rather sell at 50 cents than 8 cents?

Gene Fourney: Yeah.

Joe McVoy: But the thing we found that was a problem is every souvenir piece of artwork was seven or eight colors of screen-printing, and we only might get a \$200 order. So, though the margins were nice, the total dollars were not very many for the amount of artwork we had to do. So that's how I got into the sticker business. I noticed the children's stickers – happy faces and unicorns and all that stuff that was out in the eighties – those kinds of products, there were 200 companies doing it before I noticed it, so I'm not like quick at the switch here. But you didn't have to be.

What we had noticed is in the souvenir business, especially selling to Mexico and South America, the market likes shiny metallic stuff, the holographic, reflects into rainbows kind of materials. And we were making our souvenirs on that stuff. And no one had used this for stickers. So I said, well, why don't we make kids' stickers out of the same stuff and see if anybody would buy them.

Now, we'll talk a little later about how you develop products and do testing, but the main test that means something is when somebody gives you money for it, and if you can actually produce the product and see if people will give you money for it, very inexpensively, forget the other kinds of testing; just do that.

So what we did is we did that. We made some stickers out of this material and got it into a few stores and it started to sell. Once we

found it was selling, we could sell it to more stores. And since I had no clue how to sell stores, I found a guy who did, who was running a manufacturers' rep company and owned five Hallmark stores.

And I assigned him the project of getting me sales reps, because he knew everybody in the country in the gift and stationery industry and I didn't have a clue. So in one weekend he called up all his buddies, and we had 300 reps in a weekend, because he knew who the best ones were all around the country; he had sold our products in his store, he knew they sold. So he called up all his buds and told them about it, and now we had distribution.

Gene Fourney: Wow. And you've had experience with some other products as well?

Joe McVoy: Yeah. Well, what happened with this one, with the stickers, we started out in the gift and stationery industry. Once we were doing a million or a million and a half a year in stickers to the gift stores, that's when I went up to Target. I said, well, why don't we put these things in a package and go sell millions of dollars' worth. So I drive up to Target, because it's only two hours from where we were in Iowa. I put the stickers in a little package, shrink-wrapped them, went up there. Figured I'd get 75 cents each for them, they'd retail them at a dollar and a half.

After about seven trips to Target I finally did get a sale, but for 37.5 cents, not 75. The retail price point of one dollar, not a buck and a half. So they were patient with me and it worked out fine, but I had no clue at the time what we were doing. I didn't know anything about selling to the mass market or chains.

But the funny thing that happened with them, the first order we got from them was going to be \$5,000 for a test order for a few stores, and that's what the big chains do. They'll put your product in a few stores, see if it sells, and if it sells, they'll buy more. They screwed up the purchase order and they gave us a P.O. for \$50 grand, ten times as much. They –

Gene Fourney: So they added an extra zero?

Joe McVoy: Yeah. I thought that was way cool. They tried to call and cancel the order when they realized what they had done, but I told them it had already shipped. Of course it hadn't, but we scrambled and got it shipped. And the net result of that is – now, this was direct-to-the-store shipments for a test, so they didn't have a warehouse

slot for it. It was going right to the store. So now the stores that were getting these stickers, they got ten times what they expected, so they had to put it in a store; it can't go anywhere else. So we got more hooks in the store, more space because of this mistake.

And then what happened is this stuff blew out of the stores. So it sold so well, so they kept on ordering. They started putting our stickers in ads and we went throughout the whole chain. And long story short on that one: Four years from when we started, we got up to selling a million dollars' worth of stickers per month. And we were in 40, 50 major chains and about 10,000 gift stores.

Gene Fourney: Wow. And you really had no idea of how to go about selling a product before; you just –

Joe McVoy: Oh, I had no clue.

Gene Fourney: -- showed up, so –

Joe McVoy: No, my background prior to that, I was with B.F. Goodrich Chemical, a project manager for a line of Polymer Chemicals, and then I was with Kimberly Clark in non-woven fabrics. As far as consumer marketing, I had no idea. I had no experience with it and no knowledge of it, and just stumbled my way through.

Gene Fourney: So you would think – I would gather that most people would think—that you'd have to be a big company to sell products to retailers like Wal-Mart and Target, but you're saying that's not true?

Joe McVoy: That's correct. I started with no money, but what we'll talk about in a minute here is five different ways to sell to retailers, and three of them you can do for 300 bucks.

Gene Fourney: So what if I only have an idea for a product? What can I do then?

Joe McVoy: You can do a number of things. If all you have is an idea, you can use that concept testing to test that idea. You can get the idea evaluated by the companies that evaluate products for Wal-Mart. So you can find out if it has a possibility.

Another way of doing it is with licensing. Another company, for \$300, will evaluate your product for licensing. If they like it, they will spend the money on promotional materials, mockups or whatever they have to do, and they'll take it to the big companies

and make presentations, get it licensed, and you just split the royalty with them. So there again, for 300 bucks, if you have an idea, it doesn't even have to be a physical product. It can just be an idea. You might be able to license it and hit a home run there.

So the first way to get into big chains is by licensing your product to big companies who are there now. If you can license your product to Hasbro Toys or to Procter & Gamble, you don't have to worry about financing or distribution because they do it. So number one easy way is licensing.

Number two easy way is joint ventures. And I've got an example of this: A joint venture is when you make a deal with another company who is already there, and in the sticker business, I wanted to get in K-Mart, because this was back when K-Mart was number one, as opposed to where they are now. And I couldn't get in there. I had a competitor who was there, who had knocked us off, and they were buying stickers in the automotive department, which made no sense, so we think something funny might have been going on.

But since I couldn't get into the stores, I went to my competitor and I said, "Your product sucks; our product is better than yours. How about we sell you our product in bulk and you put it in your package and put it in K-Mart, and let's see if it sells better. And if it sells better than yours, I'll sell it to you cheap enough so that you can still make good money."

And what happened is they did that, they tested it. Ours sold better than theirs. So we ended up in K-Mart; we replaced all of their products. So they were buying all our stuff and putting it into their package, and we were in K-Mart. So that's an example of a joint venture.

Gene Fourney:

Rather inventive.

Joe McVoy:

Another way of doing a joint venture is by joint venturing with somebody who can manufacture and finance your product. That's an example of how I started the initial sticker company. I went to the guy who had the screen-printing company, and we were going to make products together. So he was going to manufacture them and all of that. So that was a joint venture where I found somebody else to make the thing and I was going to help sell. It's different than the first kind.

The fourth way to do it is to set up a company to market your product. And this is what I did with the school supplies. I bought the product from other people. I had other manufacturers, a whole bunch of other manufacturers, make my stuff, because I didn't like having 300 employees like I had in my first company; so in my second company I had eight employees and we outsourced everything. But we still sold it to Wal-Mart and Target, everybody like that.

And then the fifth way is to start a company, do the manufacturing, do the marketing, do everything, which is what we did in the first situation where we ended up with 300 people.

Now, these five things, from number one through number five, number one and two you can do for no money, or very little money. You can get a joint venture done if you have somebody evaluate your product who has credibility, like the people who do it for Wal-Mart. But number four, you're starting a company and you're buying and reselling product, you need money now. Lots of money. And number five, where you're going to be manufacturing it, you need even more money. So as you go from one to five, the amount of money you make increases, and the amount you have to invest increases. But pretty much, there's two or three ways that don't cost anything.

Gene Forney: So how do you know if you're ready to sell to Wal-Mart or Target?

Joe McVoy: Well, there are a number of criteria, but odds are you're going to need to start in smaller stores like I did, because some of the criteria – the biggest criteria most people can't meet is financial. Think about it from Wal-Mart's point of view: the worst thing that can happen to a buyer at Wal-Mart, he can get a big aw-shit if he has this happen, and there are three things: Number one, empty shelves. Empty shelves, you can't sell anything off of. If a buyer has empty shelves, this is a big black mark.

Number two is a product that doesn't sell, and just sits on the shelf. That's another black mark. And almost the worst of the three is a product where they get a lot of returns, because that means unhappy customers, and they might – Wal-Mart might lose the customer then. So your little product is insignificant; if they lose the customer for the entire store, that's a big, bad deal. So they've got to be careful about those three things.

If you don't have the financial wherewithal to ship to Wal-Mart to fill their orders in a timely fashion, they won't do business with

you because they'd have empty shelves or late shipments. So odds are, most companies – most individuals or companies need to start at a smaller scale.

You also have issues with the big chains that you have to have – you have to understand packaging requirements, merchandising requirements. You need to have EDI, which is electronic data interchange, which means no paper purchase orders. You need to have UPC codes on the packages, which scan properly. There's just a lot of pieces to it. So if you don't have all those pieces together when you first talk to them, they have long memories. If you go see Wal-Mart with something and they give you a test and it bombs or you can't ship, you're done. You won't get a second chance. Because the thing you have to remember, if a store is going to take your product, that means they're taking somebody else out. They're not sitting there with empty shelves waiting for you.

Gene Fourney: So you're advising somebody who's listening to this that they should start with a smaller retailer first, just to get the experience of going through how to do the packaging and shipping and so forth?

Joe McVoy: Well, it depends. If what you have is a business, if you already have a company and you have products and you're doing five or ten million in sales, you don't have to do that. But if you're an individual or an inventor, you certainly do.

Now, one point to make here, though, is that you want to have your act together when you make that sales call on the buyer. And you want to tell them why they should buy your product instead of what's there. Wal-Mart expects you to understand their merchandising issues. They expect you to – the buyer will ask you, "Why do I need your product in my department? What am I missing that I need to have yours? And why should I have yours instead of what I have now? How is yours better? How is it going to make me more money? How is it filling a hole in my merchandising?"

And if you don't have those answers, forget it. And most companies and most individuals think, I have this great new product, this is a cool thing, give it to the store, let's see if it sells. Wal-Mart doesn't want to buy something unless they know it sells. They don't want to take that risk.

Gene Fourney: So how can I be sure an idea or a product will work before I make it? Are there different levels of testing? How do I know that a product will work that maybe I've invented?

Joe McVoy: Well, I have four levels of testing. First off, the test that means the most is when somebody gives you money for something. They really buy it. So if you can produce your product inexpensively and put it in a store, like I did with my stickers – I could make them cheaply, so the best test for me, start right off, making some, put them in the store, see if anyone will buy them. That's the way to do it.

If, on the other hand, your product requires \$50,000 of tooling, real money is involved, the first test you do is called a concept test, where we can do a test that will determine if your target market will buy it and what they think the price should be. And you could do that without the product existing.

Gene Fourney: Wow. Can you explain that further? I've never heard of that.

Joe McVoy: Yeah. What you do is you make a mockup or you make a design, a drawing, or use a short letter to describe the product, or pictures, where you can illustrate it without having the real product. And then you do a survey of people and ask them – who are in your target market – and you ask them what price is too high to pay for this but I'd still buy it, what price is so high I'd never buy it, what price is so low that I think – I don't believe it could be any good. That would be if I had a Ferrari and I offered to sell it to you for five grand, you're going to know that it's hot, something's wrong. So that's what price is too low. Then you're going to get the price point that your target market believes your product is worth.

Now, that's not all you need to know, though, because if I did that with a Ferrari, you might realize that a Ferrari is worth \$120,000, and my test could come back saying, Ferraris are worth \$120,000. That does not mean you're ready to buy one. But it means you understand the value of the product.

Gene Fourney: Right.

Joe McVoy: So the second half of the survey is the intent to buy – separate – so the survey is just five questions, but the intent-to-buy question finds out what their likelihood of buying the product is. When you combine all that data together, you will find out the price point at which you should sell the product to maximize your profit or to maximize customer acquisition, and you will find the best – you'll

find the likelihood to buy. If it's a very small likelihood to buy, you need to change the product or do something else. So you can find out, for the cost of a survey, without even creating the product, whether you have a winner or not. Now, that's first-level testing.

Gene Fourney: I was going to mention, you've talked about two levels of testing, and the first one, as you said, is people actually paying money for the product, and –

Joe McVoy: That's the last test. If you have four steps, step one is testing a concept, like we're talking about. Step two is doing the same thing, but having a real product there, so you can test the real physical thing, they can touch and feel it, so to speak. Then level three is – whether you skip level two or not depends on how much it costs to make prototypes. But level three is to take your product and have it evaluated.

There is a company who used to – well, used to be called the Wal-Mart Innovation Center; now it's called Worldwide Innovation Center, and they will run a test. You pay them 300 bucks, and they'll evaluate your product for suitability for mass market chains. And they will ask you, you'll have a seven- or eight-page form to fill out and many questions to answer.

But don't use those inventor submission services you see on TV, all of those are scams. You send them your product and they evaluate it, and 100% of the time they come back, this is great, it's wonderful, you need to patent it, you have a real big winner – because they're going to sell you the legal services and – people send up spending 10, 15, \$20,000 for these invention submission firms, and getting nothing. Because basically they're a scam.

If you're ever going to have a product evaluated by an outside service, you want it evaluated by a service that only does evaluations and has no vested interest in whether it works or not, and that's what this company does.

All they do is evaluations. Then – if you want to patent it or go further, they're not involved. They can't help you. So they're totally independent. You can find out for \$300 if your product sucks or not. And most products suck, because the people who invent them or come up with them don't understand the product development process.

Gene Fourney: Mm-hmm, or how that fits in a chain, or if it's something that could sell in a chain; is that the idea?

Joe McVoy: Yeah.

Gene Fourney: Your product development system can produce 95% winners instead of the more typical 5%. How can you do that, when even huge companies fail most of the time?

Joe McVoy: Well, and that is the case. Something like 98% of all patents are not commercially viable, and in the case of Wal-Mart, 95% of the products that buyers like and would like to buy, they don't buy. So even with the big companies, they have about a 5% success rate on products.

Now, in my case, I have a different way of doing it, and I have a 95% success rate, and that has all to do with testing – doing concept tests, doing in-store tests, doing all of those levels of testing. If you don't roll the product out until you know it sells, how can you ever have a failure?

So that's the answer, that's how you do it, and that's what I help people do. You can spend years developing a product, or if you're an inventor you can spend ten years on something – and I've talked to people who have done that, and they haven't done any of the testing or price evaluations, and their product has no chance.

If they follow what I tell them to do, for just a little bit of time and a few hundred bucks, they could find out if they have a prayer or not, and they should do that before they spend ten years on it. If you're going to develop a product, you first need to find out what's out there now that does the same thing your product does.

Gene Fourney: So that is, find out who your competition is; is that correct?

Joe McVoy: Right. But find – you have to look at your competition a little differently than most people think. Say you've got the better mousetrap everybody talks about. All right, if you go in and compare your mousetrap to other mousetraps, you may be missing the point.

You might be competitive with another mousetrap, but you may not have considered – what we're talking about is how to kill mice. All right, we buy stuff here at my house that's a poison, and the mice eat it, and then they go outside to die. How handy is that? You don't have to deal with the corpse, they don't die in the house

and stink up the house. But it makes them thirsty; they go outside looking for water and they die outside.

Now, that's not a mouse "trap." But it does the same thing: it's killing mice. So if you come up with a better way to make a mousetrap, and the housewife still has to deal with the corpse, you may get nowhere, because this other method is better.

Then the other thing you need to consider when looking at a competitor is who else is in the shelf, in the store, in that department. When I was dealing with Target and Wal-Mart in stationery and school supplies, I wasn't competing with just other stickers. I was competing with everything else in the stationery and school supply department, everything that took up some space, whether it's pencils, erasers or backpacks. Didn't matter.

I'm competing against all that stuff because the buyer has the decision to make in his department how to allocate the space. So you might not think – all right, say, mousetraps in a hardware store. You might not think you're competing against ice scrapers, but if they're in the same department, you are.

Then, the last piece of this competitive thing: if you take the price the product retails at and you divide it by five, that's about what your cost should be. And that's about what the cost your competitor will have.

So if you go into a store and you see something selling for two bucks, divide it by five, it's costing that company roughly, very rough guideline, but say 40 cents to make. Now, if you have a product that costs 60 cents to make and you think you're going to retail it at a buck, you have another think coming.

That isn't going to happen. So if your product costs 60 cents to make, five times that is \$3. Now, is your product going to sell at three when somebody else's sells at two? So that's the price side of it you need to consider, because I have people coming to me all the time who think, oh, this product is great, it will sell better than anything out there, and they don't understand the price structure. They think if they make it for a buck, that they can sell it to the retailer for a buck seventy-five, and the retailer will sell it for two bucks, and it doesn't work like that.

Gene Fourney:

Is there a way to estimate what cost I need to get a product made for it to have a chance? Is that –

Joe McVoy: That's the five-times thing we're talking about.

Gene Fourney: -- the five-times theory here, okay.

Joe McVoy: And here's another point about getting in the store: What I believe in doing is you want to be – make your product faster, better, or cheaper than the others. If your product is the same as somebody else and you have the five-time markup and they have the five-time markup, why would they buy it? You've got to be better somehow. If you're better on price, you need to be a lot better, not 10% better.

An example on that: I was selling to Wal-Mart Christmas – or, regular stickers, a four-by-six-inch sheet of stickers, which was retailing for a dollar. So that's 24 square inches of the prismatic holographic material, retail, a buck. When it came time for Christmas, I'd found a way to get the material made cheaper, and now I could go back to them with Christmas address labels, gift tags and all this Christmas stuff on an eight-by-ten-inch sheet, or 80 square inches, for the same buck.

So now, this is what I call better-faster-cheaper. They get over 3 times as much product for the same price. So that was an easy sale, because it had a dramatic advantage. It wasn't 10 or 20% better, it was three times better. So back to the analogy of selling it at 40 cents, that would be, take that same product in there and now I'm going to sell it for what, 15 cents?

Gene Fourney: I see. And could you give us an example of faster or better?

Joe McVoy: Better, I have a friend – or acquaintance, I should say, shouldn't call him friend – up in Canada, and he makes those covers that go on ice skates, you know, the little rubber things that go on ice skates so you can walk around on them. And Canada, being nuts for skating, of course, that's a big deal up there. And he does injection molding of rubber. And what was on the market was – I don't remember the exact numbers, but it was about like a pair of these skate blade protectors was ten bucks.

The problem with the existing ones, you sharpen skate blades, they're sharp. So by the time you walk around in them a little bit, they cut through the protector. So the existing product wasn't working that well. This guy found a way to take recycled rubber from tires and grind it up and remold it, and it turned out that this particular product was more durable. When you make a skate

blade out of it, the blade doesn't cut through. So the product's better, it works better.

But he had people paying him to take the tires and scrap rubber. They would pay him so many dollars a ton to get it out of their place. So instead of his raw material costing him, you know, 50 cents or a buck a pound, he was getting paid 50 cents a pound to take it. So what he was able to do was he was able to put a pair of skate blades in the store for \$2.50 retail instead of \$10.00, which actually worked better too. He's one-fourth the price of the competition for a better product, and he put all of the competitors out of business.

Gene Fourney: So a lot of times it will be a combination of those three things that you're mentioning. How about faster?

Joe McVoy: Well, that's – faster would just affect the production speed. If you were able to produce something ten times faster, it reduces the cost because of that. But you don't always have to be cheaper. Let me give you an example.

In another company, my second company, I sold school supplies, and that's two-pocket folders, three-ring binders, spiral notebooks, pens, pencils, rulers, notepads – all the stuff you see in school supplies in a store. I was using my holographic look in the school supplies because I figured, okay, the kids like this stuff in stickers. Okay, now, maybe the same kids would like this stuff on their school supplies, now that I've found out how to make the material cheaper, because these things are bigger, they're more square inches.

So nobody had done it, so I came up with this idea, and I make portfolios and spiral notebooks and three-ring binders out of this material. And in this case, going into Target, now we're talking about a two-pocket folder, which the cheapest ones sell retail for 29 cents to 39 cents. And then the ones that have pretty printing on them sell for 69 cents. Mine sells for \$2. So we're talking three, to four, to five times as much money.

But what matters is, how does it sell. And guess what? It sells great. And then, having a higher price is better, because if you think about one square foot of shelf space for 29 cent portfolios, say Target makes 15 cents on those. On mine, though, they sell for two bucks, they make a buck twenty on. That's ten times the profit, in the same amount of space. So just so long as they sell at the same turn rate – number of units per week – it's ten times

better for them. So that's what happened. So all our stuff was way more expensive than all the competitors, but it sold so well, they put us on the end caps, we had big four-foot sections, and the year we did that with Target, we got the best new vendor award from them, so – from the stationery/school supply department, because we made them the most profit.

Then the thing to know about these big retailers is Target is an innovator. If you have something new, style and fashion, take it to Target. Wal-Mart is a follower. If you go into Wal-Mart with something that hasn't got a proven sales history, they'll say, go prove to us it sells first.

So that's what we did. We proved it sold in Target, there were four-foot end caps in Target. It was blowing out of the stores. And Wal-Mart pays attention to what's happening in Target. So when they saw that happening in Target, we went to Wal-Mart and told them how well it was doing, which they were aware of, and then they bought our product for all the Wal-Mart stores.

And this wasn't a case of test it in a few stores and roll it out, because school supply is a season, you know, back to school. So if you tested it this year, you wouldn't be able to roll it out until next year. So when it comes to this kind of product, that's a seasonal product, they buy what they're going to buy. So we went into the entire chain in one fell swoop.

Gene Fourney: So how do you find out about each chain's requirements for vendors?

Joe McVoy: Well, each chain is different, and in the course I'm putting together, I'm going to have a password-protected Website with a lot of resources, because the thing – URLs change, phone numbers change and all that, so I can keep up to date. But we're going to have a link to the top 100 retail chains that will take you to the place where their vendor requirements are, and the forms to apply to be a vendor. So all you have to do is click on the link, and if you want Target's forms or Wal-Mart's forms or Home Depot – it doesn't matter; if they're in the top hundred, you'll just have a one-click thing to get there.

Gene Fourney: Wow. So it's a comprehensive list of the top retailers in the country that you can sell to, and their vendor forms that can be easily gotten, and information on their requirements and so forth.

Joe McVoy: Right. There's one other point to make about Wal-Mart that people don't know. You think – like the school supplies: if Wal-Mart is going to buy 3,000 stores' worth of school supplies and it's going to be a two-foot section in the store, you know that's going to be a multi-million-dollar order, and you're going to have to be able to deliver that.

But with Wal-Mart, they also have a local vendor program, and that means that you can go to your local Wal-Mart store, and if you can go to the department manager or the store manager and show him your product, and if they like it, they can test it in just a small number of stores, like 10 or 20 stores, in that area.

Local store managers have the authority, if they like the product, then they give you the forms to fill out. And you still have to meet Wal-Mart's requirements. You still have to be able – you have to have the insurance, you need the UPC codes. You need to meet all their other requirements. But you can get into Wal-Mart on a local level, for a small number of stores.

Gene Fourney: So how about packaging? What do I need to know about packaging?

Joe McVoy: In my course, I have an entire CD on just that. But first off, you need to make sure it has the bar code so it scans properly. Secondly, you need to make sure it protects the product properly. And most importantly, your packaging has to sell the product. If you have a product in a gift store, like a Hallmark store, the owner of the store can talk to a customer about this neat new thing and all that; you have personal level of service.

You don't have personal level of service in a Wal-Mart. So if somebody is walking down the aisle and your product is not nationally advertised, like none of mine were, somebody has to walk down the aisle, glance at your product. The packaging has to make it so they want to pick it up and look at it, and then it has to get them to put it in their shopping cart. That's a big job.

Gene Fourney: That's a tall order.

Joe McVoy: Now, for the big companies like Procter & Gamble, they spend a couple billion dollars advertising Charmin or Tide detergent, so people go into the store looking for it. But you're not going to be in that position unless you have more money than – if you have that much money, you won't be listening to this CD, put it that way.

Gene Fourney: Do I need to know anything about how my product will be merchandised in the stores? Isn't that the retailer's job?

Joe McVoy: That's what most people think. But if you want to get in the stores, you need to know merchandising, and what merchandising means is how is the product displayed. And you may not realize it, but it's your job as the company selling the product, it's your job to know how the product should be merchandised in their store.

In fact, the most desirable situation to have with a Wal-Mart or a Target is what they call DSD, or direct store delivery. And what that means – this is what Frito-Lay does, and Procter & Gamble, and this is for the big guys – but it means you have a service person at every store, every day, putting the product on the shelf and arranging it on the shelf for the store.

The reason you want to do this is because how it's on the shelf and how it's merchandised affects how it will sell. So the big companies always want to have direct store delivery where their rep puts the product out.

For little companies, if you're not doing a billion bucks a week, for the small companies, that's not practical. You're not going to be able to do that. But the point is – I'll give you an example of one of the things we did in merchandising – a couple of things we did. So I have a couple examples that are pretty cool about merchandising.

Here's a good example of one of the things we did in Hallmark stores. We wanted a four-foot section of our product in Hallmark stores. Now, the Hallmark stores have a set merchandising fixtures from Hallmark, so the first thing we did is we designed our sticker products to fit on Hallmark's displays, so the displays they had for stickers would hold our product. That was number one obvious thing to do.

Gene Fourney: Wow, so you actually had to go into the store and look at how they display products, and make sure that the packaging and so forth that you did would fit within their shelves and –

Joe McVoy: In this case, they're hanging on hooks, but you've got to deal with what is the hook you have to hang from shaped like. So that was the first thing; that's pretty obvious. The second one is not so obvious.

We had a collection of sticker books and notebooks and big stickers and things like that that wouldn't fit on Hallmark's normal sticker – spinner – a floor rack that spins, with hooks on it. They wouldn't – we had a lot of stuff we wanted in those stores that didn't fit on that. So then what we did is we went into the stores and we measured all the fixtures, and we made the metal fixture that bolts into their other fixtures, to hold our stuff. We painted it the same color as the rest of the fixturing, and we provided this for them when they bought our stuff.

So now, you go – you're a Hallmark store owner and we're going to provide you a metal insert that you just put into your store fixturing, just like it came from Hallmark. So that way, we got a whole bunch of space because we solved the merchandising problem.

Gene Fourney:

Wow.

Joe McVoy:

And there's another example of merchandising I want to tell you about. First off, with this Hallmark example, we wouldn't have got the sales we got if we didn't do that. Our sales were much higher, because we had a four-foot section like that, that bolted in. Another example in grocery stores: there's a chain in Minneapolis called Cub Foods, and they're very large grocery stores. And by the checkouts, just like every grocery store, they have magazines at the checkouts. In Cub Foods, they had a 180-degree semicircle thing that the magazines were on. That's what their end caps were like in all their stores.

I noticed that there was – because a magazine is flat, and you're putting flat magazines on a round fixture, there are gaps between the magazines. So we did it again. We designed stickers that – we designed, first off, a little metal rack that bolted in between each section of magazines, that had the hooks. It was painted the same color as the rest of the fixturing. Then we made the stickers a little narrower so they'd fit in there. And now what we've done is we've created merchandising at the checkout, out of thin air.

The checkout merchandising space is the number one primo spot to be, and at each checkout, we had five racks with six hooks each, going up and down between each of the magazine things, so we had 30 facings at every checkout that we created for Cub Foods out of thin air; they didn't have to take anything else away. So we went in all their stores. And that's another example of creative merchandising causing sales.

- Gene Fourney:* Sounds like you need some manpower. I mean, how do you do coverage of all these stores? Through reps?
- Joe McVoy:* Yes. Yes, in this case, we had reps in that area who would do this. I mean, they're going to – the amount of product you sell at a checkout, if you're at the checkouts like this, like we were – we were doing service. Because the product sells so fast, you have to go in there every couple days and put more product in, so – it was worth it, though.
- Gene Fourney:* So how do I find and work with reps?
- Joe McVoy:* Well, the kind of people that go in and service a store, they're really not reps. What they're called is service merchandisers. Or used to be called rack jobbers. There are companies that exist to do just that. What they do is they go in and service stores. The reps make the sale in the first place. So that's what we did in the gift industry; we had 300 of them to cover the United States and the gift market, but if you want to sell grocery stores, that's a different group of reps.
- Gene Fourney:* And that's called rack jobbers, correct?
- Joe McVoy:* Rack jobbers are the people who service the stores; they're not reps.
- Gene Fourney:* Right. Okay.
- Joe McVoy:* The reps are people who make the sale, who get the product in the store in the first place.
- Gene Fourney:* So what you're saying is you had two different groups of reps – one for –
- Joe McVoy:* Well, we have more than two.
- Gene Fourney:* -- the gift industry –
- Joe McVoy:* Each channel of trade has its own reps. We –
- Gene Fourney:* I see.
- Joe McVoy:* For the toy market, we had reps for that. We had reps for the mass market, we had reps for grocery and drug. We had reps for convenience stores, reps for gift and stationery stores, and then we had premium and had specialty reps. So we have a distribution –

different reps or a distribution network for each distribution channel.

Gene Fourney: And these reps are located all throughout the country?

Joe McVoy: Yeah. They're all over the country, they all have territories, and they all work on straight commission. So if they don't sell anything, you don't pay them anything.

Gene Fourney: So how do I find them? How do I figure out who to work with?

Joe McVoy: For each channel of trade – if you're going into gift stores, find a company – it's easy to find; go to a gift show and you see the major players in that industry. Get their catalogs. On the back of their catalog will be all their reps.

Gene Fourney: I see.

Joe McVoy: And they have to do that, because if you're the store and you want to buy, which one do you call? So this is your ideal market research. Find – you find the best reps by finding the best companies' catalogs. Look on the catalogs, find who the reps are, call them up.

Gene Fourney: That is awesome. So how much do I need to know about advertising and marketing? Do I have to do advertising and marketing to –

Joe McVoy: You mean, advertising and promotion?

Gene Fourney: Mm-hmm, yes.

Joe McVoy: No. If you're a big company, you do. The Procter & Gambles of the world. The little companies, odds are your product is selling on impulse or it's not selling, because the amount of money you have to put in advertising to make – to cause a consumer to come to the store looking for your product, is big bucks, and you probably aren't going to be able to justify that.

I sold three different product lines into Target and Wal-Mart. We had 300 - 400 individual items, and we never spent any money advertising to the consumer. We did spend money advertising to the trade. I put full-page ads in the magazines that went out to the gift stores so they'd know who we were. We'd go exhibit at trade shows. But we didn't spend any money on consumer advertising, which is the expensive kind.

Gene Fourney: How about publicity?

Joe McVoy: If you can get it, that's golden. That's way better than advertising. We were fortunate in that we hit a hot market at the right time, and we got Product of the Year from *Sales & Marketing Management* magazine. Us and two other sticker companies shared that; they came out to Iowa from New York and took our pictures and all that, and so we got publicity from that. We also got on the cover of a toy magazine. Our products were featured on the cover of the magazine, which is publicity; we didn't pay for that.

So when you have a product that sells, and it's doing well in the marketplace, it turns into a snowball effect. The publicity was invaluable. Being on the cover of a magazine in your industry is wonderful, especially when it's free.

Another thing I should mention is promotion. One thing we did, again in the gift industry, we found that our five biggest competitors all had sticker clubs for the kids, back in 1984 or so, and the retailers felt that these clubs were competing with the stores. They felt like the manufacture was trying to take sales away from the retailer by dealing direct. That was not the intent of the clubs, but that's what the retailers thought.

So again, not being first, but in this case being sixth, I came up with an idea for a club that would be better, and the way it was going to be better is I was going to do it as a promotion for the retailers themselves. They wouldn't have to worry that I was trying to cut them out, because the club we created had their name on it along with ours, and it had membership card, it had limited edition stickers of the month, window posters for the store, and other merchandising aids.

This whole promotion worked so well because the stores got behind it, because they could see how it would benefit them. The net result of that is our five competitors had 30 or 40,000 kids in their clubs, and at the end of our first year, we had 900,000 kids in ours. We completely took over the club market in the whole United States. The club created more sales for the store, because - think about this: you might have 500 members in the club for a given Hallmark store, and the first of the month comes and the kids want their free limited edition sticker.

Well, that means they're going to be a mob of people. They're going to have to wait in line. And what they do is they drag mom

to the store every month, and what does mom do while she waits? Well, she buys stuff. And she buys a lot of stuff. On average, the typical store did 20% more volume for the year. If they were doing \$900,000, they did an extra 180 grand in sales because of this club, and the club was structured so it was free to the retailer. All they did is they sold the membership card at a buck for one year's worth of limited edition stickers to the kid. The stickers cost them only 60 cents for the whole year, so the store ends up at a small profit or breakeven, and they boost their sales 20%.

And the result of all of that is that we had multiple stores in malls wanting it. We had to allocate by Zip code how many stores could have the club. And the overall effect of it was, for the 900 stores we had in our club, they got about an extra \$145 million in sales in one year.

So needless to say, if they wanted to be a club member, they needed to buy four-foot sections of our stickers, and all in all, it turned out to be a great thing for them and a great thing for us.

Gene Fourney: Maybe you touched on this already, but how many different distribution channels are there where I might be able to sell my products? I think you briefly discussed those with the reps, but –

Joe McVoy: There are a lot. Sixty-nine of them I've identified.

Gene Fourney: Sixty-nine?

Joe McVoy: Yes. And of those, the mass market is only one. So Target and Wal-Mart, those kind of stores, that's one. Grocery chains is another one. And then drug chains is another, convenience stores. But when you get down to it, there are a lot of channels that are not retail stores.

Gene Fourney: So the top three are going to be your mass merchandisers, your grocery store chains, and your drugstore chains, correct?

Joe McVoy: Right. And fourth is the home center – home and hardware, like Home Depot.

Gene Fourney: Okay.

Joe McVoy: I've identified 27 different retail distribution channels. And by "different" – the reason they're different is they have – like consumer electronic stores: there are directories of consumer electronics stores. Of these 27 retail channels, on our password-

protected Website area, we tell you where you can go to buy a directory that lists all of the stores in that channel, who the buyers are, who buys what, how many dollars they sell each year. So you can find out, if you want to sell to toy stores, who's in the toy business, how much they sell, and who do you go talk to.

That's why I divided it into 27 channels, because I can provide you the information on any one of those channels, of who the stores are and who you would talk to. That's invaluable information, if you don't have a clue.

Gene Fourney: Do you want to give some more examples there, or is that giving away some trade secrets?

Joe McVoy: I don't even know the URLs or anything of those 27, but I'll give you some more examples of other distribution channels. Another one is wholesalers, distributors, and service merchandisers. That's the people we talked about before, the rack jobbers who do in store servicing.

Then there are wholesalers - companies who buy products directly from you, so you don't have to deal with a store. That's important. If there are 6,000 convenience stores that are going to buy \$50 each, you really don't want to deal with it - it's too much trouble. You go through a wholesaler who is in that store with 50 other products, and they handle it for you.

Then another one - I didn't realize until I looked it all up - that the No. 2 retailer is Home Depot, in back of Wal-Mart. Wal-Mart is number one by quite a bit. But the second-largest on a worldwide basis, Wal-Mart is one worldwide. But the second-largest one is in France, and that's Wal-Mart's biggest competitor. They're called *Carrefour*. Most people never heard of them.

Now, there's another group of distribution channels that you really ought to consider, and it's sometimes a better place to start than with retailers, and that's direct response. There are 11 different direct response channels, and one everybody is familiar with is infomercials. Okay, infomercials are a big business. It can cost a quarter-million dollars to produce one to test nowadays, because you have to have broadcast quality.

Gene Fourney: I was thinking in my mind that that's a very expensive proposition.

Joe McVoy: It's usually expensive, because it's a quarter-million just to make the thing, much less air time to test it. And then one guy I know, a

marketing guru named Dan Kennedy, he specializes in these. And he says he has a very good track record, he gets about one out of ten successful. And that's considered exceptionally good. So think of it this way: your quarter-million, you better have that ten times, and maybe one will work.

Now, when one works, though, when it works really well, some of the ones that work the best have sold a billion dollars of product. So the upside is huge. Now, the thing I can tell you that the people who buy my course, you can do – this is one of the things you can do for 300 bucks.

The reason is, I have a contact with an infomercial company who will charge you \$300 to evaluate your product for infomercials. If they like it, they will finance it from there. It will be their \$250,000, and if the thing works, they'll pay for the rollout too, and you get a 5% royalty. So they do it all. And you might think normally you have no chance, you don't have a spare quarter-million, or especially several times a quarter-million to test it more than once – but all you need is 300 bucks.

Gene Fourney: And they take all the risk out of it.

Joe McVoy: They take all the risk. What they do is syndicate the financing. They have people who will put up \$10,000, \$20,000 or \$50,000. So they take that quarter-million and offer it to their group of investors. Everybody participates until they have the quarter-million, and then they test it. If it works, they roll it out. The win/win, you might not think 5% is very much, but if it's a \$100 million winner, that's \$5 million you just made with an investment of \$300.

Gene Fourney: So what about – you mentioned obviously infomercials. Is there –

Joe McVoy: There are others.

Gene Fourney: Others, okay.

Joe McVoy: Home shopping. Home shopping shows, QVC. Those things can be equally profitable as infomercials. The guideline there is you need to be able to sell \$1,500 worth of product per minute. And I've got some stories about that that we don't have time to get into on this CD, but there again, if you hit a home run, it's amazing.

Gene Fourney: I think, don't you have to have enough product to actually – you have to ship the product there, for them to sell?

Joe McVoy: Oh, yeah, it's – they have to have it there because they're going to ship it out, so if you have a big success, yeah, it's like selling to Wal-Mart. You're going to need a lot of product. But that's a good problem.

Actually, the number one direct response channel is neither one of those. It's direct mail. You know, letters in the mail. And number two is catalogs. Everybody's gotten plenty of them in their mailbox. But when you look at it, direct mail, direct mail catalogs, telemarketing – it is still legal if you're doing it properly – direct response radio and magazine ads and newspaper ads. Magalogs, which are like a magazine, but it's really – it might be a 100-page color magazine, but it's basically a sales pitch.

Seminars – I mentioned Dan Kennedy, the marketing guru. When he – the guy is a genius in this. He does a three-day seminar. He charges us – I always go – he charges us three grand to go to the seminar. So there's 500 of us there. So do the math, that's not bad, but that's just the beginning. Dan will speak maybe two hours out of three days. But everybody who sells stuff there, he gets half of. So we figured it out: the last one he did, he made \$5 million on a weekend by only being there two hours. So that was pretty cool.

Another thing: How would you like to get your product in the hands of the customers of Victoria's Secret, or the customers of any big mail-order company – Land's End? You know, does your product sell to Land's End customers? Would you like to put it in the hands of their customers? You know, normally you'd think, well, that – if I – they would never let me do that. Well, not only can you do it, you can do it for three cents.

Gene Fourney: How would I do that?

Joe McVoy: There's a thing called a statement-stuffer, or bounce-back, or package inserts, those category of things. They, when they ship out a product, when Land's End ships your product or Victoria's Secret or any of these big companies ship a product to their customers, they put these inserts in there. They can go for free, they're already – shipping is already paid for. So they sell that space.

So for, say, a nickel, you could put your flyer in there for your product that the customer gets as they're opening a product from somebody else. And the best time to sell somebody something is

when they've just bought something else, and you can have your product in front of their eyes for five cents.

Gene Fourney: Wouldn't you have to have your product in that particular store, or no?

Joe McVoy: No, no. No, you don't have to be in the store. Say I come up with a new – in fact, I had an idea to do this – a sexy bathing suit. I was going to take my holographic idea and make women's bathing suits out of it, bikinis, and they'd reflect light into rainbows and be really flashy. So I haven't got around to that, but if I ever do, it will be fun finding models, I'll love that job.

But my thought was, all right, that's a Victoria's Secret thing. All right, say I've created this product and my garage is full of them, and I don't have any distribution, no stores have it, nothing. I put a package insert in with all the Victoria's Secret catalog buyers' products. So when Victoria's Secret ships a product out, there's my flyer. And my flyer can have an order form on it, and the people who open the box see that, say, hey, cool, I'm going to buy that, and they mail me their order. So I can get access to millions of customers in the industry I'm in very inexpensively, and that is another direct response media.

Also considered direct response, but in my course I segment it out, is the Internet stuff, because you've got online stores like Amazon or others, you've got eBay. You have affiliate programs where other people sell your stuff for you. You use e-mail to sell things – e-books, e-newsletters, or do joint ventures with other Internet marketers to reach their herd, as we call them, their customers. You do a joint venture with them, so that they mail your offer to their customers and you share the profits.

And then aside from direct marketing and retail, there are even more channels. Network marketing, we've all heard of that, doesn't have a very good reputation. But the ones who make the money are the ones who start those companies.

Back in a former life, when I was marketing chemicals at B.F. Goodrich, I got Amway as a customer, and we were selling detergent ingredients to Amway by the semi load. So with these multilevel marketing companies, the best way to have them is to have them as a customer, and you're providing them with what they sell. You can do the same thing with the Mary Kay kind of companies, the home companies that have home party plans.

Yet another good way to sell or test a product is at a home and garden show –

Gene Fourney: Just at your local –

Joe McVoy: In your local home and garden –

Gene Fourney: -- area.

Joe McVoy: Yeah. I mean, they might have 70,000 people go through one of those. So you can put your product in a home and garden show and have access to a huge amount of consumers; you can demonstrate it, and you can find out. If they all walk by bored and not interested, you better watch out. But you've found out pretty cheaply that no one would buy it. On the other hand, if they buy, that's a good sign. So there are just more and more of these channels. I've got dozens more..

The point is that most people don't have any clue how many channels there are they can sell their product in, and it only makes sense to sell into every distribution channel where it will work for your product, and that's never going to be just one.

Gene Fourney: So what does your course consist of, Joe?

Joe McVoy: Well, it's 19 CDs along with transcripts. I'll give you a quick overview. The first one is, can you really do this with very little money, and can you really do it. It explains that yes, you can, and here's how, like we've talked about briefly. The second CD is about how to tell if you're ready for Wal-Mart, and what to do if you're not. The next – third one is how to get started, the different ways we talked about. More detail on the five ways. The next CD is how big is your market, how to tell how big it is, what the possibilities are. Identify your competition.

After that, CD number five tells you about how a mass merchant buyer thinks, and why you need to know. Section six is product development: how do you create a product that's going to sell. And section seven is how you evaluate a product idea, if all you have is an idea.

Section eight is all about licensing, whether you have an idea or a product. Section nine is how to set up a joint venture. Section ten is how to start a business around your product, or how to buy a business and use it to market your product.

Section 11 is just about packaging. There are seven things your packaging has to do or you're dead. Number 12 is all about merchandising. We talked some about that; it's merchandising strategies, more detail there. Section 13 is 11 tips for advertising, promotion and publicity. Fourteen is how do you sell nationally to small retailers to get started, before you're ready for Wal-Mart. Fifteen is preparing for a sales call on a mass merchant buyer.

Sixteen is tips for trade shows. Seventeen is the financial requirements to deal with the mass market. Eighteen is if you happen to be an international manufacturer, here are 17 tips for international manufacturers getting into the U.S. market. And then we talked about the 69 distribution channels. A more in-depth discussion of them takes two more CD's.

Gene Fourney:

I bet.

Joe McVoy:

Two hours – over two hours just on that. And then I have some bonus – free bonuses that are available for a limited time, because they take my time to do, so I don't know how long I'll be doing this because of that.

But the first one – remember, we talked about the market analysis of the price point and whether people will buy your product? I will help you do one of those, which is worth a couple thousand bucks. You will have to identify your target market and have the product or concept, but I'll run the analysis for you and help you do it.

The second bonus is I'll give you two critique certificates that you can send to me if you want your packaging looked at or – anything, actually, where I'll evaluate that.

And the third one is a one-on-one personal consulting for an hour. So you can see, since all three of those things take my time, and quite a bit of it, actually, I don't know how long I'll keep offering them.

There are some more bonuses that I can keep offering forever, and I have – one, two, three, four CD's with interviews, either one CD or two CD's, with other people who have done what I've done. So you get to hear about a guy who's from Colombia who sells flowers to Wal-Mart. You get to hear a guy who started with Procter & Gamble and talks more about the direct store delivery we talked about.

There's another one who is an interview with a guy who is – Wal-Mart doesn't call personnel "personnel"; they call it director of people. So the corporate director of people, who used to work directly with Sam Walton in the headquarters, there's an interview with him for two hours about Wal-Mart and how they operate.

Gene Fourney: I want that one.

Joe McVoy: Yeah. And then there's a last CD that talks about tools and resources for manufacturers, importers and exporters.

Gene Fourney: Is there anything else besides the bonus CD's?

Joe McVoy: Aside from my personal help and the bonus CD's, that's pretty much it. I will also be having a coaching club and doing one-on-one consulting, but you have to have gone through this course first before you can get into either of those other things, because I don't want to have to go over the same stuff over and over.

Gene Fourney: Now, you mentioned the password-protected Website. What's on there?

Joe McVoy: Okay. On the password-protected Website, there's just a ton of stuff. The top 100 retailers, the links to all their application forms. Wal-Mart's requirements. Wal-Mart's international requirements and local requirements. Where all their international buying offices are. Got information on the top 24 wholesalers, 15 retail trade associations.

You'll need a Dun & Bradstreet number; what that is, how to get it. You'll need a UPC code, what that is and how to get it. You'll need EDI, electronic data interchange. I've found a Web-based service. When I did it for my companies, it cost me \$20 grand, and I had to hire an employee for six months. Now you can get it with an online service that's just a small charge every month.

We've got the directory and trade associations' 90,000 market research reports. Now, granted, you have to pay for these, but I'm giving you the links to more market research reports on a given industry than you could possibly ever want. How you do publicity: if you want to do publicity releases to – you want to get in *Newsweek*, here's the source that will tell you who to call and how to present to them.

There's a couple – there's a directory of mailing lists, if you're interested in direct mail. There's 60,000 mailing lists of people

who have actually bought something you can rent. There are – there's a directory of mail order catalogs. If your product could go in a mail order catalog, there's 12,000 companies that have mail order catalogs of consumer products. There are 6,000 more who have business-to-business products.

Then we have a directory of associations and all of those retail, the 27 different kinds of retailers we talked about. We even have the top 500 retailers. We have the top 100 worldwide retailers and all their contact information.

Gene Fourney: Very comprehensive.

Joe McVoy: Thousands and thousands of resources you could use.

Gene Fourney: So what does this course cost, and how would I order it?

Joe McVoy: To get the details on the cost, we do plan on having a couple of versions, one a physical product, and another a downloadable version, especially for those people outside the U.S. Just go to the URL printed on your CD and you can get the details there.

We're having a limited time \$500 discount to help launch. Also, it's a limited-time offer on the things I have to do personally, because I can see my time getting eaten up, so those who get in on time get that; if not, you don't. And the way you order it is you go to the URL that's printed on the CD.

Gene Fourney: Mm-hmm. And if I'm not ready to buy now, do you have any other resources that I could access in the meantime?

Joe McVoy: Yeah. At that same URL that's printed on your CD's, I've got a Wal-Mart mini-course. And what that is, is it's a e-mail course, has 20, 30 – I'm not done with it, but it will be 20 or 30 e-mails that will educate you further on how to develop products and how to sell retailers, and that's going to be free.

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