

ESBA

UNDERSTANDING PHYSICAL
PRODUCTS

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My number one takeaway from this video

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REVIEW THE WHO, WHAT AND HOW

When you have a physical product, the sales process often trips ups many entrepreneurs. Many manufacturers lose their focus on the *who* and *what* as they focus on the *how*. You should never lose sight of the first two components! For both digital and physical products, a common entrepreneurial mistake (due to lack of focus), is focusing on the *how*.

The *how* is merely how you deliver the product or service (i.e., the *what*) to your *who*. Just in case you're really confused, here is a quick refresher:



<https://www.youtube.com/watch?v=2ZksQd2fC6Y>

The point of this humorous skit is that it's easy to fail to communicate your *what* (how your product and its value) to your *who* (your end consumer) when you get to part of the process where you focus on the *how* (your method of delivery). No matter your process, your *how*, you must remember that you're always serving others through it and with it. Never focus solely on the product!

COMPONENTS OF A SUCCESSFUL PRODUCT

Having a proven product is only the beginning of having a successful product¹ sales. You will also need the following:

- ☐ People:
 - ☐ Excellent customer service² (i.e., a sales process) and people skills (or the ability to hire people with people skills)
 - ☐ Supplier(s) / Vendor(s)
 - ☐ Employees or contractors (if necessary) and a streamlined process for hiring / onboarding and firing
- ☐ Product support:
 - ☐ The facility (if necessary) and facility insurance, complete inspection and appropriate regulation agencies' (city, state or government) approval
 - ☐ Proper accounting software (see the 'Dealing with Taxes' download). Failure to account for inventory properly in your software can take down an entire operation. There is no such thing as negative inventory. If your software allows this, you must correct this before you process more inventory.
- ☐ Processes and systems:
 - ☐ A process for order processing and packaging³
 - ☐ A process for quality assurance and control
 - ☐ Shipping logistics

¹The assumption here is that you will personally manufacture the product. If not, you need to find the best manufacturer for your product; look at quality, pricing, shipping and additional costs the manufacturer may pass on to you. Ask for samples of their work. If you need an NDA signed first, talk to your lawyer. This is, after all, your BRAND that is being represented on this product.

²You can no longer assume that employees are able to treat others with respect, handle customer-service issues or follow-through on an issue. This is *why who you hire* and your hiring process matters.

³Google Sheets is a great way to organize your processes among multiple parties (if you're not yet ready to invest in a CRM such as Infusionsoft or Drip) as it allows multiple people to work on a product simultaneously ([see tutorial in resource section](#)).

Facilities

If you think you need a facility, ask yourself the following questions:

- ☐ Home office or commercial lease? Can you work out of a space in your home with the space, layout and legal / zone requirements? Or does your model require commercial space?
- ☐ Will you do your own packaging or should you use a [third-party fulfillment center?](#)
- ☐ Production needs (e.g., spacing, layout, and workflow)
- ☐ Location (neighborhood, zoning and average rates for rental or lease agreement)
- ☐ Lease agreement⁴ or purchase - Which is more cost-effective and which can you afford?
- ☐ Cost (rent, licenses, registrations). Run a break-even analysis ([in resource section](#)), factoring in facility costs to your fixed costs.
- ☐ Insurance (separate from product or asset insurance)
- ☐ Zoning - What restrictions, if any, apply to your business location?
- ☐ License and permits

Support processes

These are just a few of the concerns that product makers need to consider regarding in-house processes. There are also post-house processes to be put in place, including:

- ☐ Delivery guarantee, condition and timeliness
- ☐ Product and experience feedback
- ☐ Supply replenishing
- ☐ Guarantee or warranty
- ☐ Paperwork compliance submission
- ☐ Sales tax⁵ and more

⁴ Consider the length of agreement, lease rates, rental rate raises, subletting, etc. [Learn more here.](#)

⁵ All states vary on sales tax rates and filing requirements. Should you have to speak to your state representative, be sure to ask them to send you the answer in writing with their signature (or by email) as a verbal answer will not hold up in court with the state

Each industry varies in its regulations. For example, if you're working with food, will you use a shared facility? Does the facility maintain their own quality assurance program and process? Is your business covered under that policy? When you are able to manufacture your product and your processes are tested, you begin marketing it through sales, word-of-mouth referrals and marketing.

The most important process you'll need

If you work with third-party suppliers / vendors, a response system that provides follow-up to communication with these third-parties is essential when selling a physical product. This is because many larger suppliers already run on automated systems that may indicate your order has been processed and shipped but in reality has never been entered. *You* are responsible to the customer and it's your face, your business, that is judged based on deliverability. In a 'microwave society' - where most things can be produced in an instant - many people will judge your lack of supply as a failure.

SEPARATING THE ENTREPRENEUR

Now that you're getting your initial processes and procedures in place, you can begin marketing and selling your product. This allows for you to gather data, work out problems any problems or rough areas that may exist in the processes and gather feedback on your product, it's performance, market demand and new product ideas. However, that is not the end of your sales funnel. Consider how you can implement processes and functions for increasing customer retention and satisfaction, referrals, quality process and order volume.

Set a process for feedback and data

1. **Sales:** Implement a solid marketing funnel around the products. Map out your funnel here:

 email 1		 email 2
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email 3



email 4



email 5



Upsell

+



Downsell



Opt-in

2. **Social Proof:** Ask for social media reviews on Yelp or Google⁶. Send sample wording they can copy and paste along with a specific link they can click on to take them straight to the review. Eliminate as many barriers as possible.
3. **Data:** Gather client data and feedback through an electronic funnel or digital survey. Even a pre-worded Facebook ManyChat or text-message service can assist with this. What are your clients' demographics⁷? What words do your clients use to describe your product?

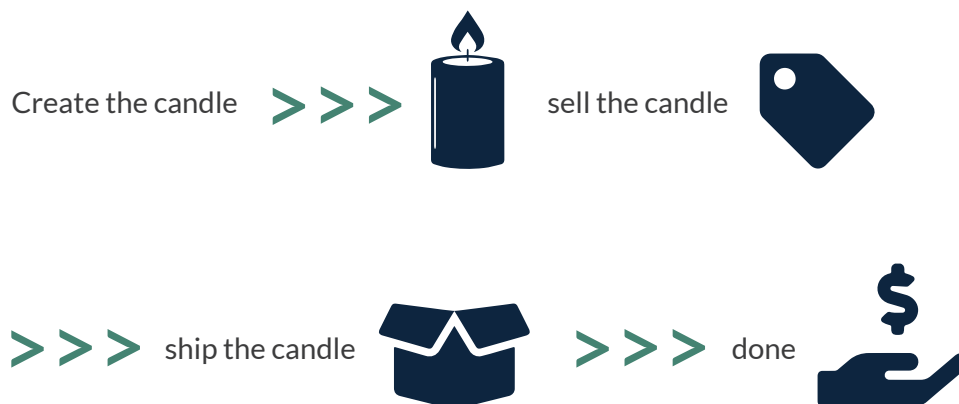
Repurpose the product

Now that you know the product sells, clients love it and you are collecting data, evaluate how you can repurpose this product. These two processes is where you begin to truly unlock wealth and start to move away from trading time for dollars.

The difference between repurposing and diversification is in *repurposing*, you don't add anything to the process beyond what you're already doing. *Diversification* is to add to what you're already creating through additional, supplemental product offers.

Making candles

Consider the process of the candle-making business from the video:



⁶Yelp and Google currently have the strongest search engines to help your new business. Reviews on sites such as these will help strengthen your search engine results quickly and lend validation to your product. *Do not assume* that your name alone will sell the product. Often the opposite effect can result as most often the public reads of athlete business failures. The successes don't often make the headlines.

⁷Age, gender, interests - these are just a few examples of demographics you may be looking for. Keep in mind your inquiries, if serving an audience outside the US, must be GDPR compliant.

Repurposing your process would look like this:

Option 1: Create the candle⁸ > > > [record your process](#) > > > upload to a [course-host site](#)⁹
> > > sell on your website, through referrals, in your email funnels.

Cost: Candle materials (\$10) + equipment (\$25) + phone + editing (your time) + course host (free) = \$25 + time

Upsell: In-person group class for family / holiday events¹⁰

Downsell: Discount on the course for those who've always wanted to learn but didn't think they had the time or money (overcome their objections)

Option 2: Create the candle > > > host a live workshop to engage visitors > > > give away samples of the candle you just created

Cost: Candle materials (\$10) + time

Upsell: Actual candle purchases, group workshops in person, e-course

Downsell: Group discounts, instant-booking (the day of the showcase) discounts

Option 3: Sell the process¹¹ > > > sell the ecourse > > > extract your audio from the video and [get it transcribed](#) > > > create downloads, checklists, graphics and opt-ins

Cost: Transcription is 10¢ / minute and paper for printables sold in-person vs. online

Upsell: Teach the process, coach on the start-up of an own-business

Downsell: Supply kits on auto-ship

Continue to nurture all contacts who visit, purchase or inquire by nurturing them through your funnels. Run special offers during holiday seasons. Stay in touch!

⁸How do you create the candle? What does the process look like? What steps go into the creation and would others like to that process? Could you teach that process to others as an online or live workshop?

⁹Check out [Thinkific](#), our host site for ESBA & get a month for free!

¹⁰If you don't have the space to host, offer in-home workshops as one alternative option.

¹¹In case you're into [chicken farming](#) or raising beef for butcher, do not underestimate the desire for [how-to knowledge](#) in these 'traditional' markets by millennials.

Diversify income streams

Diversification of your income streams is more simple than you may realize. Create ‘one-offs’ of your original product and make additional income. Why does this work so well? Because you’ve already identified an audience passionate about your product, you can easily sell the items that go with your product.

- **Amazon links:** Using affiliate programs, such as that offered by [Amazon](#), you can easily sign up for the program yourself. Once approved, making affiliate income is simple. **See tutorial and how it works in the resource section.** *How it works:* When someone clicks on your link to purchase a product, receive monetary credit and the money is deposited into your account after 30 days. Using our candle-making example, affiliate products could include candle-making supplies (e.g., wax, scent, wicks), glass jars, labels and packaging¹². The advantage to using a vendor online such as Amazon is that you don’t have to deal with many tax headaches and filings¹³.
- **Supplies:** If you get bulk or market pricing on your products, upsells on your in-stock products can net a nice income for you. Again, using the candle business example, if you teach classes, DIY candle-making kits can be an upsell; special oil scents, skin-care or bug repellant candle ingredients can be sold as additions to the kit. Be sure to charge sales tax if necessary.
- **Custom work:** Product-specific requests can be offered at a premium. Be sure to itemize why you’re charging more so that you can explain your value increase should a customer ask.
- **Affiliate marketing:** Sell products that others make to your audience if it’s a good fit in exchange for getting to promote your products to their audiences and gathering their audience’s email addresses through an opt-in. An example of a great affiliate option for a candle-making company might be a soap-making class or a branding company that will help your clients brand their new candle-making venture after they’ve taken the class! This, in turn, can allow you to sell the materials necessary for branding, such as labels, boxes and more! See video tutorial section on how to do this.

¹² For your own packaging of any product, we recommend using [ULINE](#).

¹³ However, this may change as the online marketplace continues to change; even as companies like Amazon and Walmart enter into testing changes to the healthcare system and leaders from around the world vote for changes on what is considered taxable by government or state and what is regulated by these different groups (e.g., [GDPR](#)). It’s important to keep up with recent legislation for these purposes.

- **One-offs:** Other homemade candle products, niche or genre-specific items (for example, if you sell candles using essential oils in them, you can also sell the essential oils) make for theme-specific articles that your target audience would like but are slightly different from the original product.
- **Coaching:** As a business expert, never discount the knowledge you now have to offer others around business. This can be general business or business-specific, in an individual capacity or a group setting.

You can see how quickly you can scale a very nice-size business from a single product.

Build relationships

The entire goal of all you do through your efforts is to build the relationship. If your product performs well, there is a market demand for it, it is priced well and you take care of your customers, you'll build loyal, raving fans that will grow with you and your product line. You can nurture these relationships through excellent customer service, availability, and through extra items such as Q&A's and how-tos.

Just don't forget that relationships go bi-directional - downstream (to your customers) and upstream as well (to your supplier / vendors). Build personal relationships with your own upline for better response time in your moments of need.

TAKING STOCK OF YOUR PRODUCT

Product name _____

Product description

Product purpose

Product price _____

Alternate uses _____

Audience (your who) _____

Where did the idea for the product originate? Is there a demand for this product from your own audience? _____

Product test results | Performance | Reviews _____

Policies¹⁴ written around product? _____

Staff required around product? _____

Process and company policies documented? _____

Repurposing ideas:

Repurposing ideas: How do you create the product? _____

Can your process be recorded? ☐ yes ☐ no

Would others want to know about the process and would you be willing to teach it? ☐ yes ☐ no

¹⁴ Policies around a physical products should include: response time, order turnaround, refunds and cancellations, how many times you'll "make it right" (customer service policy), how you'll handle third-party suppliers' errors / policies, warranties / guarantees, when you will pay your third-party vendors / suppliers and when you expect payment in your own business.

What steps go into the creation of the product? _____

Would others like to know about that process? Could you teach that process to others as an online or live workshop?

Diversification ideas:

Can the product be sold to someone else's audience? Who can you cross-promote with?

Can others buy the products you use? Can you sell those products inside your course¹⁵?

Can you sell your supplies at a markup? _____

Can your knowledge be packaged into a business-coaching relationship? Is this something you'd be interested in? Is it practical and sustainable for you?

Case Studies

Paleo Folks & United Colloid are in two very different industries. But they both have a common denominator. Each has a patented, exclusive formula that is created in one, third-party location and delivered to another third-party warehouse and shipped by bulk order on demand. Paleo Folks is the paleo brand sold nationwide through WholeFoods. United Colloid is the developer of a lightweight, roof-leveling compound that is saving the roofing industry millions in applications and long-term care.

Both companies found that the use of third-party, regulated facilities was the most cost-effective route and allowed the income stream to be fairly passive, once the initial work was done. However, each required much research and testing for facilities, warehouses, shipping and customer service.

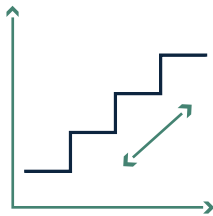
Each company handles all the customer service but this is done from a small operation in a central location. **This saves each business owner rent or mortgage, insurance and upkeep on a facility.** It still allows them to help employ many people as well.

Multi-million dollar sales, easy-to-pay expenses (to the third-parties) and a single-digit operating budget for the office and marketing make each business a huge success. And your business will be successful too!

¹⁵ Please note that as of 2018, Amazon does not allow affiliate links inside pay-for-access programs.

PHYSICAL PRODUCT CREATION MAP

The product has good interest, has been tested and evaluated, is unique, fits a unique gap / need in the marketplace



Value ladder is mapped out

Business and customer-service policies and procedures have been written around the product

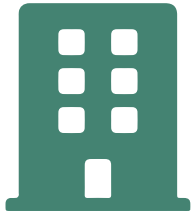


Suppliers can guarantee cost, availability, delivery

Facility¹⁶ is secured and accompanying policies and insurance are in place



¹⁶A physical facility should only be secured if necessary. Many businesses today use third-party warehouses for storage and shipping.



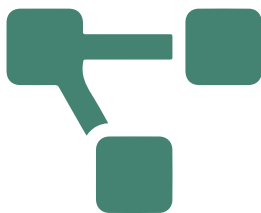
State and federal guidelines verified as being met
by third-party or own facility

Staff hired with appropriate training
and policies / procedures in place



Quality assurance / quality control in place with
documented standards

Packing and shipping arrangements made



Physical process tested

Website for product is in place¹⁷



¹⁷ Speak with your lawyer as you may need sub-LLCs for your product, your facility, your digital product sales, your blog, etc. as each of these are considered an asset to your business. Also speak with your CPA about best-practices. Also, a single-product website is often best for increased product conversions.



Sales funnels written

Incentives - both physical and digital - ready



Opt-ins, email capture forms ready

Digital ad copy split-tested and ready



Digital process tested and is launch-ready¹⁸



¹⁸ The same processes and principles can be applied from a digital product launch to a physical product launch.



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