

About the Author

Phil Staunton MD of D2M

“I’ve been involved with turning ideas into reality for 20 years and worked on over a thousand products. I even developed and launched my own pushchair with John Lewis.

This pdf guide seeks to bring together the knowledge I have gained, and that of other experts in the field, to help you turn your idea into a successful product. If you want some professional help, or even a free initial consultation or opinion on the viability of your idea, don’t hesitate to get in touch with my company, D2M Innovation.

In the meantime, enjoy this pdf guide, and I wish you every success on the exciting journey of commercialising a product – there’s nothing else like it!”



Routes to Market



Introduction

Profiting from a new idea is a challenge, but it doesn't have to be scary.

At D2M, not only do we have the expertise to bring product ideas to life successfully, we also have first-hand experience in designing and launching our own product to market via various channels. We now sell our product range through distributors, and we've also sold products directly to customers online and at consumer shows. We've marketed and sold to many small and large retailers, including John Lewis (a major high street retailer in the UK) and consulted international distributors with some success.

After years of experience in the industry, we've realised that businesses aren't taught how to make money from an idea. Even after months of research and speaking to many people, the information was just not available.

Phil, Managing Director, confesses:

"I wished I'd receive guidance when I started, to help me identify my options and the potential returns each route could bring. That's what this practical guide is about. It gathers years of research and experience to help entrepreneurs and businesses make informed product and business decisions to take an idea to market profitably."



What could go wrong?

Most people start by taking their idea to an attorney or product designer. Unfortunately, very few of them are equipped to make money from a product idea. They simply charge for their services without considering the viability of an idea or defining an end goal. Clearly, they seem more interested in the success of their business than yours.

Did you know?

70% of all NPD efforts fail

97% of patents make no money at all

Only when you know how to capitalise on an idea can you work backwards and establish contact with professional services (like patenting or design). You can then target these paid-for services to deliver a profitable route to market, rather than just lining someone else's pockets.



What could go right?

With informed planning and the right preparation, you can minimise risks and maximise chances of success. Here's what innovators who designed some of the most ground-breaking products have to say on this subject:

"Good fortune is what happens when opportunity meets with planning." Thomas Edison

"By failing to prepare, you are preparing to fail." Benjamin Franklin

"Before anything else, preparation is the key to success." Alexander Graham Bell

If the people who developed the bi-focal lens, telephone and light bulb were so keen on preparation and planning, don't you think you ought to do a little more prep before developing your product?

What if you could invest your time and capital in developing a new product built for profit?

Now, you're probably thinking that you're going to need a little help to prepare your idea and that's okay. Our pdf guide will save you the hassle and take you through the key options available.



ROUTES TO MARKET

1 LICENSING

Your margin: £1 /product
Costs: IP

Assumptions: Retail Price: £48
Cost Price: £10

4 SALES AGENT

Your margin: £9.9 /product
Costs: M, S&D, L, CS, QC & IP

Assumptions: Retail Price: £48
Cost Price: £10. 40% retailer margin.
10% sales agent commission

6 AMAZON

Your margin: £22.80 /product
Costs: M, S&D, CS, QC & IP

Assumptions: Retail Price: £48
Cost Price: £10. Amazon margin of 18%

2 JOINT VENTURE

Your margin: £4 /product
Costs: QC & IP

Assumptions: Retail Price: £48
Cost Price: £10. Brand cash margin
of: £9

5 DIRECT TO RETAIL

Your margin: £12 /product
Costs: M, S&D, L, CS, AM, QC & IP

Assumptions: Retail Price: £48
Cost Price: £10. 40% retailer margin

7 DIRECT TO MARKET

Your margin: £30 /product
Costs: M, S&D, L, CS, S, AM, QC & IP

Assumptions: Retail Price: £48
Cost Price: £10.

3 DISTRIBUTOR

Your margin: £4.30 /product
Costs: M, S&D, QC & IP

Assumptions: Retail Price: £48
Cost Price: £10. 40% retailer
margin. 35% distributor margin

Key:

S - Sales

IP - Intellectual Property

CS - Customer Service

AM - Account Management

QC - Quality Control

L - Logistics

S&D - Shipping & Duty

M - Marketing

Licensing your idea

A license is a contractual right that gives someone permission to use your intellectual property (IP). It allows you, as the holder of IP rights (the “licensor”) to profit from your idea by charging a user (the “licensee”) a fee or royalty for making commercial use of your IP.

What works well about this model:

You need to maintain your IP protection but almost everything else is handled by the brand.

Costs:

Typically a license deal would pay you 10% of the cost price of the product. (this is often known as the factory gate price – the price payable for the product to be made. Therefore excludes shipping and duty but includes packaging.

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

The brand will pay you 10% of cost price: **£1**

Your cash margin would be **£1**

Before you negotiate a license agreement, it is important to be clear on what IP rights you have and that you have applied to register any that require it: patents, registered designs and trade marks. In many cases, all three registered rights can be applicable to a product, and there may also be unregistered rights such as copyright and even trade secrets and know-how to consider. If you are unsure what IP rights apply to your product, please book an initial free consultation at www.strachanip.co.uk/contact/ to discuss how we can help.

Case Study

Veglo

Representative: Edward Ward

Ed successfully crowdfunded his idea back in 2014. His campaign can still be viewed here: <https://www.kickstarter.com/projects/commuterx4/commuter-x4-the-wearable-fibre-optic-bike-light>

As you can see from the photo and video, the product is an 'X' shape. The shape is designed using a highly reflective material with a unique construction technique that we developed and our client patented. This is very different from what Ed originally brought to us. He came to us with a net of Christmas tree lights wrapped around a rucksack. As with most enquiries, we took this back a step and asked where the concept originally came from.

Ed explained that most drivers almost ignore bike lights because they are too used to seeing them. Ed wanted a bike light that caught the attention of car drivers as it was an unexpected shape. We persuaded Ed to let our team tackle that problem, whilst incorporating his net idea. A few weeks later, we presented three concepts including the 'x' concept and Ed's immediate feedback was: "Wow! That's so much better. Let's go with that."



Case Study

Veglo

Representative: Edward Ward

Believe it or not, we get this quite a bit.

We are experts in innovation and our senior team is incredibly creative. We are exposed to new and different materials, processes and mechanisms every day. We are happy to work from your initial concepts but it is worth allowing our team to explore other avenues as well.

It might be your idea is best but exploring other options provides reassurance and can broaden your future IP protection so that competitors don't just work around your current concept.

Ed successfully went on to sell his product through various bike shops and also directly via his website. He then was approached by Oxford Products who are a major distributor in the cycling sector. He negotiated a great deal and Oxford Products took Veglo on under a Licensing Deal. We've had a good number of products now that started as a crowd-funding success and used this to prove the market for the product and gain licensing agreements. Ed went on to use the skills and experience to co-found a software start-up and Oxford Product continue to sell the product under license.



Joint Venture

This can also be known as white-labelling. The idea is that an existing brand buys your product and sells it under its name. This can also be co-branding where both your brand and theirs are on the product. An example of this would be stainless steel water bottles. There are loads of different designs available from a host of Chinese suppliers for you to sell under your brand. The factory have facilities to apply any brand's logo and sell to multiple brands. Certain deals can be exclusive so that your design doesn't get sold to another brand operating in the same sector or territory.

What works well about this model:

The brand will have established routes to market, retail relationship, PR and marketing teams that they can utilise to gain sales for your product. The brand is likely to have significant resource to launch the product in a big way.

Costs:

These deals can work in various ways. Often the brand will want to buy the product from you with their branding on the product already. They would work with you on the final design and the packaging in line with their brand guidelines. They would need the bulk of the margin in the product for all the selling, marketing and other activities necessary to launch the product. However, they are likely to be able to order in much higher volume than if you were selling this yourself which might help you negotiate a lower unit cost with your manufacturer.

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

The brand will sell to their retailers for: **£22.**

They might buy the product from you for **£14.**

The brands margin might be: **£8***

Your cash margin would be **£4.**

*This would cover all their costs of selling, customer service and marketing your product as well as their profit.

Distributor

Distributors handle selling to retailers on your behalf. Some only manage the retail relationship, warehouse and deliver your product others also handle trade and consumer marketing, exhibit your product at shows and provide all the customer service for the customers.

What works well about this model:

Distributors take out a lot of the hassle of retailing your product.

Distributors have existing retail relationships, sales teams and specialise marketing teams who have indepth knowledge of your market.

This is often the only real way of getting your product into a foreign country. Often retailers won't buy your product unless you have a presence in the country with all the relevant infrastructure like a customer service team. A distributor provides all this.

Costs:

These depend heavily on how much the distributor is doing for you. If a distribution is effectively your whole brand presence in a different country, then they are likely to want a much higher margin. On average, a distributor would expect around a 35% margin.

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

The distributor will sell to their retailers for: **£22.**

Distributor margin of 35%: 35% of £22 = **£7.70**

The price the distributor pays you: **£14.30**

Your cash margin would be **£4.30**

Sales Agent

Sales agents handle selling to retailers on your behalf. They leverage their existing relationships to get meeting with buyers that you might otherwise struggle to get in contact with. Sometimes they handle the ongoing relationship as well.

What works well about this model:

Sales agents have existing retail relationships which means they can get meetings with senior buyers much more easily and quickly than you can.

Costs:

Often around 10% but will depend on how good your negotiating skills are!

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

The distributor will sell to their retailers for: **£22.**

Sales Agent commission of 10%: 10% of £22 = **£2.2**

Your cash margin would be **£9.90**

Direct to Retail

This model is where your business sells the product direct to retailers. This section deals with bricks and mortar retailers rather than online retail which is a slightly different model.

What works well about this model:

Low ongoing customer service requirement as shops are often the first port of call if customers have questions about their purchase. (However, if you have a major issue with your product retailers will expect you to resolve this.)

Retailers often have a steady stream of your ideal customers.

Retailers handle the sales process for you reducing the effort compared to selling direct to customers.

Costs:

Bricks and mortar retailers will look to make between 3% and 60% margin on products. This is obviously a huge range. 3% might be the margin for a retailer selling Apple products. They are so popular and so well known that the retailer can expect a steady stream of customers and so their margins can be low. A service station retailer selling a new brand product that no-one has heard of would expect a 60% margin to make it worth their while. (Service station shop rents are huge!) For most of our clients, the retailer makes between 35-45% depending on the industry sector and the size of the retailer. (Larger retailers often negotiate a higher margin.)

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

Your retailer margin is **40%**.

Exc. VAT retail price: **£40**

Retailer margin: 40% of £40 = **£16**

Your selling price to the retailer: **£22**.

Your cash margin: £22-£10 = **£12**

Amazon

Sell the product using Amazon's web platform. There are various options within Amazon for how this is done with various degrees of control for you in terms of pricing.

What works well about this model:

Amazon's margins are much less than a standard brick and mortar retailer.

Amazon has a huge number of potential customers using its platform every day with various tools for recommending and promoting your product.

Costs:

Amazon has different models but typically the margin they take is around 18%.

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

Amazon's margin 18%: $0.18 * 40 = \mathbf{£7.20}$

Your sell price to Amazon: $40 - 7.2 = \mathbf{£32.80}$

Your cash margin would be **£22.80**

Case Study

Tofuture

Representative: Adam and Suzanne Kittow

50,000 sales per year.

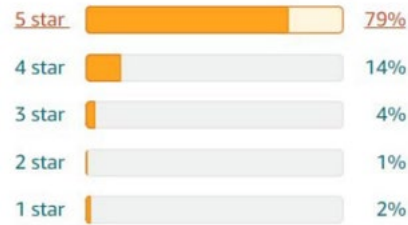
Selling on Amazon and also in Lakeland.

Over 7000 incredible reviews.

Customer reviews

★★★★☆ 4.7 out of 5

7,332 global ratings



Available at **amazon**



Direct to Market

This is where you take responsibility for selling the product to the end customer. This often entails selling at consumer shows, maintaining an e-commerce website or selling via social media.

What works well about this model:

You have ultimate control over how successful your product is.

You retain the bulk of the margin in the product

Costs:

The costs are how much it costs you to market the product to gain sales. You also need to arrange warehousing and logistics for the product. At first glance, this looks the most lucrative but often actually is the most expensive for launch and only pays off after 3-5 years of investing in marketing and establishing your brand.

Example

Retail Price: £48

Exc. Vat retail price: £40

Cost price: £10

Exc. Vat selling price: **£40**

Your cash margin would be **£30**.

Blended Approach

Most of our clients would sell to distributors in other countries and would sell direct and to retailers in their home country.

Selling via Amazon can put off retailers and so it isn't always advisable to try and achieve both of these routes at the same time. Often you would establish your brand either in stores or on Amazon. If successful, it is then possible to later take a successful online product into stores or vice versa. Most retailers will not be put off by your attempts to sell direct via your website or at consumer shows as long as you aren't selling to solely online retailers who are likely to discount the product significantly.

It is also worth considering other minor routes to market such as catalogues sales, selling through inflight magazines and websites like notonthehighstreet, ebay and etsy.



What's next?



Converting an idea to cash is a skill and you can learn it.

We are launching a new digital course to impart all this knowledge and expertise, so you can take your idea to market successfully. This course includes detailed videos and presentations, so that you can learn from our curator Phil and his D2M team. After this course, you will:

- 1 Know how to sell an idea.
- 2 Recognise the 7 routes to market.
- 3 Be confident with all the processes involved.
- 4 Start your journey with confidence.
- 5 Have the tools to make money from your bright ideas.

Find full details of the course here: [From Idea to Profit Digital Course](#)

Resources



Developing and launching a new product idea can be exciting, yet daunting. We have discovered there are little helpful resources available on-line and have therefore made it our mission to change that by creating weekly free information on our YouTube channel.

Don't miss out on the good stuff. [Subscribe here](#) and make sure you hit the bell icon to be notified.

Still curious? Here are some extra resources:

[**How to Land a Licensing Deal**](#)

[**The Role of a Distributor**](#)

[**I have an idea, what next?**](#)

Our website has growing resource sections with further blogs, case studies and articles:

[**Resources**](#)

Have a product idea? Why not book a discovery call with one of our experienced designers?

[**Contact Us**](#)

Thank you



We hope you have found this pdf guide useful.

If you require any further information on any of the things we have covered, please do contact us:



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