

Q&A

Vary your products, price points

Q: With the economy contracting, is now a good time to be thinking about expanding or diversifying?

A: Although the economy is contracting, your business doesn't have to. If your sales have slumped and your profits waned, now may be the right time to win over clients with new and diversified products.

One of the biggest misconceptions of the current economy is that all businesses are contracting. That's simply not true. There are companies that are not only surviving, but thriving. The key to success is market research. Find out what products and services are in demand. Focus on why customers choose one product over another. Once you've re-evaluated who your customers are and what they want, consider providing variations of your product or service at multiple price points. Diversification is a key profit-building strategy. You should focus on generating multiple and complementary streams of income.

If you own a bakery, you should have high-end customizable offerings to appeal to corporations and wedding planners, mid-range options for small businesses and special events, as well as affordable pastries for the everyday customer. If you are a consultant, provide a downloadable e-book or white paper, a paid Webinar, a local workshop and a larger seminar or conference — each at a different price. These options allow customers to choose the item that best fits their needs and budgets.

In addition to providing multiple price points, create packages or customizable plans that give the customer greater freedom and flexibility. Offer your new product or service as part of a bundled deal or provide free samples or trials with purchase of popular items. This allows customers to test new offerings that they might not have tried otherwise.

Also, consider the buffet concept. Let customers pick exactly what they want, rather than a standard package that includes items they don't need.

In regards to flexibility and product positioning, learn from Amazon.com. When selling a book, the online retail giant offers both new and used copies for sale, as well as bundled deals that include two or three similar books at a slightly reduced price. To successfully expand your offerings and increase revenue, strategic marketing is essential.

To be successful, you need to take a comprehensive approach. Make sure you fully understand your market before developing new products.

Ron Consolino is a management counselor for SCORE, Counselors to America's Small Business, a nonprofit association and a partner of the U.S. Small Business Association. For information, go to www.scorehouston.org. Send questions to *Small Business*, *Houston Chronicle*, P.O. Box 4260, Houston, TX 77210.

Inventor's idea struck a real cord

■ With 200 million iPods to keep straight, woman hopes her 'Earbud Yo-Yo' will see more ups than downs

By SANDRA BRETTING
FOR THE CHRONICLE

Inventors' stories are the stuff of legends: the stay-at-home mom who created a charm for Croc shoes and wound up selling the company for \$20 million in 2006. The young MIT graduate who co-founded a robotics company and launched the Roomba vacuum seven years ago, with sales topping 2.5 million units in 2008.

Local inventor Julie Johnson Barkley, 47, hopes to join their ranks. The former dental hygienist credits a walk in a Spring park in 2007 with sparking the idea for her invention.

"My husband had just given me an iPod for my birthday," Barkley said. "Only I couldn't start my walk because the earpiece cord was tangled. I spent the next five minutes trying to get it untangled, and I swear I heard an inner voice tell me, 'you're on to something here.'"

Prototype from a closet

Barkley returned home and began researching iPod products on the Internet. Some companies already offered cord organizers, Barkley said, but they always came with earbuds — slang for earpieces — that upped the price.

"I liked my earbuds and didn't want to have to buy new ones," Barkley said. "After that, it was matter of playing around with different things at my house to find a prototype."

One day, Barkley remembered she'd stashed yo-yos in a closet for her now 7-year-

old son. Taking one apart, she experimented with various designs until she had a rough prototype of an organizer that would wrap an earbud cord around a central spool.

Barkley then contacted a professional designer who suggested she change the design from round to square. A few months later, Barkley had a real prototype.

Help from workshops

Next, Barkley signed up for a night course in small business management at the University of Houston.

"We recommend that people take workshops in how to run a business before they even invest any money," said Orlando Saldana, a consultant with the Small Business Development Center at the University of Houston. "Even people who have some business background usually need help organizing their thoughts and ideas. If they don't have a business background, they soon learn it's a whole 'nother universe."

At the same time, Barkley contacted a patent attorney about protecting her invention.

"For someone interested in creating an invention, I'd tell them it's the legal fees that are one of the biggest expenses," Barkley said. "I had no idea it'd be so time-consuming and costly to get everything trademarked so no one could steal any part of it."

The "Earbud Yo-Yo" made its debut at the Consumer Electronics Trade Show in Las Vegas this past January. While there, the invention at-



KAREN WARREN : CHRONICLE

WHAT A TANGLED WEB ... : Local inventor Julie Johnson Barkley created the Earbud Yo-Yo, a product that keeps iPod earbuds from getting tangled.

tracted media attention from several magazines, trade publications and local television stations.

"I think people liked the idea because it was a low-tech solution in a high-tech market," Barkley said.

'A huge potential'

To date, Barkley said she's invested roughly \$300,000 to design and create the packaging, manufacture the product and launch the company's Web site. The company is scattered across the country, with distribution handled in Las Vegas, her Web site main-

tained in Vancouver and her designer based in Austin.

"It takes so many pieces to get a product to market," Barkley said. "But I realized when I was writing my business plan that there's a huge potential out there for this. Last October, there were more than 200 million iPods around the world."

For Barkley, the international market has been one of the most enjoyable aspects of being an inventor.

"We're a hit in the Netherlands," Barkley said. "I get a lot of Internet orders from there, and it just makes me smile."

According to Barkley, more than half of her sales come from the Internet. She's sold some 5,000 units all told, which retail for between \$10 and \$15. Her first big retail customer, Fry's Electronics, signed on to carry the product in January.

In the future, Barkley hopes to sell the product on television shopping channels and add a line with school logos. She's also working on her next big idea — a cord organizer for cell phones.

"I always knew I wanted to invent something," Barkley said. "I used to pick things up when I was little and wonder how they worked. I just didn't know what to invent until now."



PICK YOUR STYLE: The Earbud Yo-Yo, which debuted in January, comes in a variety of colors and being a number of logos to suit the tastes of any iPod owner.

RESOURCES

Tuesday

SCORE Small Business Workshops: Tuesdays, 6:30 – 8:30 p.m., Palm Center, 5330 Griggs Road. May 19: Low Cost Marketing. May 26: Business Money Management. Registration: 713-845-2424. Online: www.scorehouston.org.

Peachtree 2009: Two-part course: May 19 and May 21, 9 a.m.-4 p.m., UH SBDC, 2302 Fannin, Suite 200. Learn how to use a full-featured accounting software designed for small businesses. The class will cover new company and general ledger account setup, accounts payable and accounts receivable processing, payroll generation, inventory maintenance and reporting and account reconciliation. Instructor: Linda Warren, Ascent Business Systems. Cost: \$149 online registration price. Registration: www.sbdc.uh.edu.

Wednesday

Minority-Owned Business Certification: 9-11 a.m., UH SBDC, 2302 Fannin, Suite 200. Join representatives from the Houston Minority Business Council as they discuss the benefits of being certified as a Minority Business Enterprise and the detailed certification process. Cost: No fee. Registration: www.sbdc.uh.edu.

Creating Space for You: 9-11 a.m., UH SBDC, 2302 Fannin, Suite 200. In this fun, informative and interactive session, you'll learn methods for creating boundaries, tools for balancing your work life and your personal life, and strategies to manage stress. Instructor: Holly Uverity of Office Organizers. Cost: \$19 online registration price. Registration: www.sbdc.uh.edu.

Thursday

Merging Traditional and Internet Marketing: 9 a.m.-noon, UH SBDC, 2302 Fannin, Suite 200. Explore how you can use your Web site to leverage your networking, mailers, print advertising, radio and TV. Instructor: Eric Shafer, owner, Click and Create. Cost: \$29 online registration price. Registration: www.sbdc.uh.edu.

Upcoming events

Introduction to Starting a Small Business: Free presentation by SCORE and the City of Houston One Stop Business Center. Monday, May 25, 6-7:30 p.m., Houston Public Library, Oak Forest Branch, 1349 W. 43rd. Information: 832-393-0954.

As postage goes up, alternatives look better

By JOYCE M. ROSENBERG
ASSOCIATED PRESS

NEW YORK — Small businesses already working to hold costs down during the recession have another expense to contend with: higher postal rates.

The price of a first-class stamp went up 2 cents to 44 cents last week, the latest in a series of increases this year by the U.S. Postal Service and private shippers including FedEx and UPS. The price increases have motivated small-business owners

to think about how they can send letters, cards and packages more cheaply.

Many small-business owners have found that delivery services and the Postal Service can help cut costs. Any company opening an account with a delivery service should be able to negotiate a price, especially if it sends a number of letters or packages.

Technology offers small-business owners many ways to save money on mailing and shipping costs. It is easy to send printed material by e-mail, or through file transfer

Web sites that can accommodate documents and files that are too large for many e-mail systems. These methods eliminate not only postage costs but also printing and labor expenses.

There are also Web sites that can help businesses comparison-shop among delivery services.

Small businesses are also saving by switching to Web-based or e-mail billing rather than snail-mail invoices.

Tamara Wilson's PR firm does so much work via e-mail, including newsletters

and billing, that her monthly postage bill is now about \$200 instead of the \$2,000 or \$3,000 she used to spend.

"I'm not only saving that money, I'm saving my clients' money," said Wilson, president of Wilson Public Relations in Seattle. She said she passes the savings along to her clients.

When she does mail press kits, they're no longer on paper. They're on flash drives that cost much less to mail.

Sometimes, though, Wilson will spend more on mailings for strategic reasons.

For example, she'll send envelopes with eye-catching stamps that she buys online.

Owners need to be sure that employees understand the need to find cheaper ways of shipping. That means teaching them not to use the most expensive overnight service unless a package absolutely has to arrive early in the morning.

If a company uses stamps rather than postage meters, employees should know to use a 44-cent stamp and a 17-cent stamp on a 2-ounce letter — not two 44-cent stamps.

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All bank deposit accounts are federally insured by the FDIC for up to \$250,000 as designated by Congress until December 31, 2009. © 2009 Bank of Texas, N.A. Member FDIC.