

How To Successfully Market Your Hobby Products

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How To Successfully Market Your Hobby Products

If you are not necessarily trying to get rich but would like your hobby to at least pay for itself and perhaps grow into something someday, try considering your hobby as small business. Even if you don't get rich you may be able to deduct the cost of your materials.

A serviceman stationed in Alaska loved to go fishing but found it to be very expensive sport up there. So he bought a fishing fly winding outfit and started making his own flies to save money. When discovered his lures were as good if not better for Alaskan fish he decided to try and sell some of them to help cover the costs of his "vice." he sold a few dozen to an Anchorage department store every few months and not only made enough to pay for his fishing, but helped his photography "habit" as well!

For tax purposes there is a fine line between a hobby and a business. The IRS defines a hobby as "an activity from which you do not expect to make a profit" (this makes the U.S. Government a hobby!). The general rule is that you must make some profit in three out of five years to legally take the hobby expenses as business deductions.

This rule is not generally applied to obvious businesses like a shoe store on Main Street. However, it is for racehorses and leather crafts, which they consider more likely to be hobbies than businesses (and they're probably right most of the time).

Business expenses and losses are deductible; hobby losses can only be deducted up to a amount taken in, and then only if you itemize on Schedule A.

When you make the decision to convert your hobby into a business it is necessary to do several additional things.

First, you should figure out exactly what it costs to make each product (including your labor at the going rate). You must be able to intelligently predict how many you can turn out and how soon.

Keep accurate records of all business related transactions. You can only deduct expenses for which you have records! Once you compute your production costs, you can estimate your retail and/or retail rates.

A general rule is 2 times your cost for wholesale; 4 times for retail.

For example, something that costs \$5 to make would be priced at \$12.50 wholesale and \$20.00 retail. You must be able to make a

fair profit at the wholesale price and dealers should receive about 40% of the retail price as their profit.

Note that if you retail and wholesale both, you must be careful not to undercut your dealers. When you say the suggested retail price is \$20, make sure you do not sell that product for any less of your dealers will leave you cold!

It really doesn't matter what your hobby is, so long as it is a product or service that others will buy. As you convert to a business, it might (or might not) be necessary to alter your production methods and even the products themselves.

If you make a nice hobby horse you will probably want to make some jigs and figure out a way to make them more efficiently. You have the choice of turning out one masterpiece a week for \$100 or 10 good ones at \$10 apiece.

Your decisions may well be influenced by demand as well as your personal preference. If you make pillows and someone likes your work and wants a bedspread, why not?

You can do just that one bedspread or expand your business to include bedspreads as an additional product if it looks like they will sell well.

Depending on the degree that you would like to go into marketing, plan to {"showcase" your products or show them in their best possible light. Notice how jewelry stores display their wares exquisitely on dark velvet under small spotlights (not ordinary florescent lights) to make them gleam and sparkle. That's showcasing!

If you are artistic and have the means to make up a catalog to send prospective customers, fine. Take flattering pictures of your products with complementing backgrounds and have them printed in brochures or booklets. Black and white pictures are better for non-color reproductions because they offer better contrast.

You can also advertise (with pictures, if available) in the local media: newspapers, radio, cable TV, small magazines or even by mail. It is usually a good idea to test market your products (and ad comparison) before spending a lot on advertising.

If the response to your testing is poor it could be yours ads, timing, prices, the vehicle or that you simply haven't reached your intended audience. The testing period is when you experiment: try various size ads, wording, pricing, etc.

How do you get usable advice? In some cases, merely by asking.. A tip is to check with retailers of similar products. Since they

don't make them, they will often give you their unbiased opinion of why they do or do not sell.

When you find one that will advise you, ask for their suggestions on quality, pricing and potential salability of your products (this, by the way, may help your chances of selling to them later).

Once you have determined that your product will sell at a price to make you a reasonable profit, make up samples and good quality photographs and start contacting potential markets. If you plan to wholesale, call on prospective clients and give them full information pricing, quality and your return policy (yes, you should have one).

A shorter method is to offer your products on consignment to local stores. They usually won't buy very much until they know there is a market (why should they replace something that DOES sell with something that MIGHT?).

remember, however, that your intent is to get as many of your products on display as possible, so consignment is good for both you and the store in the early stages.

If you plan to retail, you need an advertising plan for ads, displays, notices, announcements, news coverage and perhaps prizes in local contests. Ads in the local paper (also, radio and cable TV) might start out with a larger (e.g. 3" x 5") announcement of your product and possibly an introductory special, followed by smaller display and a less expensive, permanent classified ad.

Displays are any means of showing your product to the public, such as renting space in a vacant store window or giving a merchant a special deal to allow you to set up a display.

Notices can be put up on store and church bulletin boards or listed on cable TV. Announcements can be ads, radio spots, posters, signs that simply inform the public that your product exists.

News coverage is usually very effective and should be a major consideration. When you place your initial ads in the local paper. ASK THEM to send out a reporter!

Most local and small town papers are happy to do this because the articles are local interest. Make the best use of their exposure: focus on your products, not your ego!

When you are satisfied your market potential and ready to produce in volume at a good wholesale price,, start contacting progressively and larger markets.

Check on mail order companies, distributors and catalog of publishers. If you retail, place ads in vehicles with larger circulation. Send out professionally done brochures and price lists along with a short but cordial cover letter describing your product and offering additional information. Be sure to include information on how to order. For retail customers, include a "handy" order blank and possibly an addresses return envelope.

Depending on the product of your hobby and its acceptance, your small business venture might keep growing. Many of today's large businesses started out as small hobbies. Some craft products can profitably be marketed through large catalog houses. Others are best for local retail sales and a few lend themselves to customizing, where customers come directly to you for personal service.

Your success in marketing your hobby depends on the demand for the product (which you try to stimulate), the price quality, plus your ingenuity, determination and enthusiasm.

Something as uncomplicated as renting a flea market stall once a week may be just the ticket. It may be as far as you really want to go. But, if things go well, you may want to expand your production and sales efforts.

When you expand, think about buying and selling COMPATIBLE but non-competing items made by other hobbyists (or supplied by hobby manufacturers). After all, your marketing system is in place and is working, so why not make extra profit for relatively little extra work or cost?

One mistake many hobbyists make in the business world is to put so much time, effort and TLC into their products that can't possibly sell for their actual worth.

If you are going into business, find a happy medium so you can turn out quality products at an affordable price and still make a fair profit. A second tip is to be able to separate your product from your ego. Never take rejection for it to flop that have nothing to do with you! Keep your mind and ego clear so you can concentrate on improving the product's acceptability!

BUSINESS SOURCES

MIESEL HARDWARE SPECIALTIES, Box 247, Mound, Mi 55364. 800/441-9870. Hardware for hobbies and toys: eyes, miniature wooden wheels, brass hinges, etc.

LHL ENTERPRISES Box 241, Solebury, PA 18963. Hobby and craft supplies.

TOYS, HOBBIES \$ CRAFTS. Edgel Publishing Co.,545 Fifth Ave.,New York, NY 10017. Magazine for hobby and craft dealers. Check their ads for good supplier sources.

SBA MANAGEMENT ASSISTANCE PUBLICATION, P.O. Box 15434, Ft Worth, TX 76119. SBB-1 lists 26 types of crafts and 341 available craft booklets.

NATIONAL ASSOCIATION OF TOLE & DECORATIVE PAINTERS. Box 808, Newton, KS 67114. Association of people interested in painting or enameling on wood and metal.

HOBBY INDUSTRY ASSOCIATION OF AMERICA, 319 E 54th St.,Elmwood Park, Nj 07507. Association of hobby crafters and hobby business people.

HOBBY PUBLICATIONS, Box 420, Englishtown, NJ 07726. Publishes ANNUAL TRADE DIRECTORY for hobby sources.

AMERICAN CRAFT COUNCIL. 44 West 53rd St.,New York, NY 10019. Publishes CRAFT HORIZONS magazine for small crafts. Includes information on craft shows... Good place to advertise crafts. Also publishes AMERICAN CRAFT with coverage of Christmas ornament crafts.

CRAFTS. 1529 East 19th St.,Brooklyn, NY 11230. Specialty magazine about crafts.

INNOVATIONS, 1555 Ashdale, Sugarland, TX 77478. Buys handmade crafts, especially Christmas and child heirloom merchandise. Send color photo & price.

DOVER PUBLICATIONS, INC.,31 East 2nd St.,Mineola, NY 11051. Discount books, clip art, stencils, etc.

QUILL CORPORATION, 100 Schelter Rd.,Lincolnshire, IL 60917-4700, 312/634-4800. Office supplies.

NEBS, 500 Main St.,Groton, MA 04171, 800/225-6380. Office supplies.

IVEY PRINTING, Box 761, Meridan, TX 76665. Low priced letterhead and stationery.

ZPS, Box 581, Libertyville, IL 60048-2556. Raised print business cards and letterhead stationery. Will print your copy ready logo or design. Excellent prices.

WALTER DRAKE & Sons, Inc.,4119 Drake Bldg.,Colorado, Springs, CO 80940. Short run business cards, stationery, etc. Good quality but little choice of style or color. Can be difficult to deal with (they are a "short-order" mail order house).

ARTS AND CRAFT NEWSLETTER. West Oak Hill, Willison, UT 05495.
Newsletter for people interested in arts and crafts.

ARTS & CRAFT CATALYST. P.O. Box 15102, Ft Wayne, IN 46885.
Bi-monthly publication with information on craft shows across the
country.

DISCOUNT CRAFT SUPPLY. 6234 2nd Ave.,North, St Petersburg, FL
33710. Beads, felt, etc.

HP BOOKS, Tucson, AZ 85703. Offers book: "catalog Sources for
Creative People" with 2,000 sources for patterns, plans, kits,
etc.. - \$9.

CRAFT, MODEL AND HOBBY INDUSTRY DIRECTORY. 255 West 34th St.,New
York, NY 10001. Write for details about this directory.

GLASS STUDIO. Box 23383, Portland, OR 97223. Trade magazine for
Arts and Crafts Dealers.