



MUSE MATH: Predicting the Revenue of Any Product

Here is a recent real-life example of mine that illustrates how to evaluate product costs, determine profit margins, then size a market online—all before spending a cent on manufacturing. This will give an indication of whether or not a product can produce the Target Monthly Income (TMI) determined through dreamlining.

The PX Method¹ is an instructional system that promises to increase reading speed at least 200% in three hours with no comprehension loss. I started with footage from the original accelerated learning seminars² sold out at Princeton and envisioned a “learning system” comprised of the following components and selling for around \$150:

1. 4 audio CDs using audio from the original videos
Estimated development cost: \$100-300
Estimated development time: 7-10 days
2. 1 software program for training peripheral vision
Estimated development cost: \$300 using freelance programmers from www.elance.com
Estimated development time: 2-3 weeks
3. 1 70-page manual including diagrams from the seminar and scientific explanations of the techniques
Estimated development cost: \$150 using freelance page layout designers from www.elance.com
Estimated development time: 4-5 weeks

Total upfront development cost: \$550-750
Cost of the first production run of 50 units: \$25 per unit x 50 = \$1,250
Total production time: 4-5 weeks

Even though the total costs would be recouped with fewer than 20 units, I wanted to test the concept first to confirm that it had the potential for at least \$10,000 of profit per month with minimal effort. In this case, I wanted to limit marketing to PPC so that I could have outsourcers manage the entire operation.

¹ See www.pxmethod.com for the sales page that was used for following up testing steps.

² If your product is how-to or informational, offering a seminar to businesses or students is one of the lowest-cost methods for micro-testing. If you charge \$50 for a two-hour seminar as I did, the revenue will also cover all costs of additional online micro-testing.

To begin, I needed to size the potential number of customers and learn if I could compete with existing speed-reading products. To answer the first, I determined how many people searched for terms related to speed reading in a given month.

I used the Overture Keyword Selector Tool (<http://inventory.overture.com/d/searchinventory/suggestion/>) and typed in “speed reading” to find that there were 6,408 searches for that term alone the prior month.

In simplified terms, here’s what I did with that number:

1. Overture represents approximately 28% of the total searches done on the major search engines, so I multiplied $6,408 \times 3.57$ ($100/28 = 3.57$) = **22,876 total searches online** for “speed reading”.
2. For a broad term such as “speed reading,” I can expect a **click-through rate (CTR)**—the percentage of people who search that term and then click on my PPC ad—of 0.5-1.5% with good ad design (If I were using more specific terms such as “best speed reading products,” the CTR could be between 3-5%, and if I use exact brand names and have little competition, the CTR can be 50-100%). Using 1% for the average for this broad term, **22,876 searches could yield 228.76 visitors to my site.**
3. If my webpage does a good job of differentiating me from the competition, I can assume a **1-2% conversion rate**, which is the ratio of visitors to purchasers: what percentage of visitors will purchase the product? In this case, using 1.5% as the average, **3.43 customers (228.76 x .015) will purchase my product, resulting in \$428.75 in profit** ($\150 product price - $\$25$ cost of goods (COGS) = $\$125$ profit per sale x 3.43 = $\$428.75$). Let’s assume further that “speed reading” as a term costs me an expensive 50 cents per click x 228.76 clicks = $\$114.38$ in advertising cost. This means that **my actual post-advertising profit would be \$314.37.**

This, at first, glance, seems like a small per month profit. The ROI, however, is great: **I’m making \$428.75 in pre-ad profit for \$114.38 in advertising, a beautiful 375% ROI.**

Here is the clincher: **this is just one term**. There are thousands of relevant terms that I can bid on to attract potential customers—brand names (Evelyn Wood), synonyms (accelerated reading, rapid reading), and related topics (mnemonics, mental math). What happens if I bid on 50, 100, or 200 terms that also have a 375% ROI? \$1,000 in ad spend returns \$3,750, \$2,000 returns \$7,500, \$5,000 becomes \$18,750!

In the case of BrainQUICKEN, I spend at least \$2,500 on Google Adwords per

month, using mostly highly-specific terms that cost 5-15 cents per click. If we use .10 per click as the average, that means that I am driving 25,000 visitors to my site per month, and if even .5% convert to sales, that's 125 sales times the average sale price of \$88.90 = \$11,112.50 in revenue from Google alone.

Returning to our original math for the PX Method, the number that gives us a tentative green light is the highly-profitable 3.75 ROI and the cumulative number of searches for "speed reading" and related terms. Brainstorming and quantifying related search terms is as simple as using the previous Overture keyword selection tool and other suggestion tools cited in "Income Autopilot II: Testing the Muse".

Test well and test often.