# Clipped!

*By Edward O. Welles, Senior Writer at Inc.*

Linda Froehlich, inventor of the SuperClip, describes how large office-supply companies crowded out her patented product with knockoffs.

**Convinced her product was a winner, Linda Froehlich set about getting her patented invention onto store shelves--only to find them soon crowded with knockoffs**


A couple of years ago, Linda Froehlich stepped into a hotel elevator in Rome with a handsome stranger. She knew she had seen the man, whom she describes as "kind of cute," somewhere before, but she couldn't quite place him. When they reached the lobby, and the door opened to reveal a crush of press, Froehlich suddenly realized she had been standing shoulder to shoulder with none other than John F. Kennedy Jr.

Not about to let a paparazzi pileup distract her, Froehlich immediately introduced herself to Kennedy: "Hi, I'm Linda Froehlich, and I'm the inventor of the SuperClip." She assured him that she'd be sending some samples to his room later that day.

It was the clearest signal to date--even beyond his designation as *People* magazine's "Sexiest Man Alive"--that JFK Jr. was part of a privileged crowd. After all, Froehlich has sent SuperClips to Barbara Walters, Rush Limbaugh, and Andy Rooney. She's handed them out to Bob and Elizabeth Dole--twice--and she told then-congresswoman Susan Molinari, who was visiting her plant, "You've got a lot of energy--you should come to work for me and help sell SuperClips." (Molinari ultimately opted for a lower-profile spot cohosting *CBS Saturday Morning.*) Froehlich has also targeted the paper-shuffler-in-chief as a potential recipient. "I'm thinking of sending a truckload to the White House. Think of it--40,000 pounds of SuperClips," says Froehlich. "That would make a statement."

Of course, plenty of people have encountered Froehlich's invention without having to endure her spiel. Four inches long, the SuperClip is little more than a very large paper clip. Still, it neatly holds 100 sheets of paper. Made from a sturdy, high-carbon steel, it's easier to use and less bulky than so-called bulldog or butterfly clips.

Froehlich's simple creation--for which she and her husband, Richard, were awarded a patent in July 1994--is now carried by all the office-supply biggies: Office Depot Inc. (582 stores, $6.1 billion in sales), Staples Inc. (600 stores, $4 billion), and OfficeMax (640 stores, $3.2 billion). Dominant discount retailers such as Wal-Mart Stores Inc., Kmart Corp., and Target Stores stock it, too.

But a closer look reveals that, in fact, what most of them are selling are not SuperClips but knockoffs so similar that they would seem to infringe upon U.S. patent number 5329672, owned by the Froehlichs. Go to those stores and you can buy all the Mega Clips, Big Clips, Jumbo Clips, and Really Big Clips you want, but you'd be hard-pressed to get your hands on one genuine SuperClip.

For Linda Froehlich, the SuperClip saga has amounted to little more than the nightmare of so many dollars running through her fingers like so much sand in the form of potential sales that never materialized. At one point, she seemed poised to crack the mainstream market, after an early sale to Office Depot. But she soon learned a bitter truth: the office-supply industry is dominated by a handful of very large companies, which are best equipped to do business with one another. They have found

it easy to design around her patent, and they have not hesitated to do so. And that has shattered Froehlich's belief that ingenuity, virtue, and effort would see her through.

"I felt everyone would love this product as I have," she laments. "I was naïve. I believed this product was so good I wouldn't have a problem."

Good as she thinks it is, the SuperClip is hardly a quantum leap over "the prior art," to borrow from patent argot. By routinely referring to it as "the next Post-It," Froehlich seems to be acknowledging that her creation borrows from the undeniably apparent but may yield the sort of windfall that every inventor dreams about. "This is the best product since 3M's Post-It note," she declares. "It's a product that should have always been. It's the obvious staring us in the face."

Too obvious perhaps. The Froehlichs' SuperClip patent makes two claims of uniqueness: First, that the clip is made from a high-carbon steel that springs back to its original shape; second, that the clip's "arms" are extended the length of the clip, so they won't tear the paper when removed. (See "What Makes the SuperClip So Super?" page 102.) In truth, most consumers probably don't care about such features; to them, all paper clips are created alike, no matter what their dimension.

In contrast to the speculative fling embodied in the SuperClip, the Froehlichs run a solid and time-tested family business with the homey sounding name of Ace Wire Spring & Form Co., in McKees Rocks, Pa., a gritty industrial suburb of Pittsburgh. For nearly 60 years Ace has served as a custom manufacturer of wire forms such as bucket handles and paper racks, and of springs that go into everything from screen doors to M-1 tanks. It employs 50 people and rings up annual sales of more than $5 million.

Froehlich's father started the company in 1939, selling it to her and Richard when he retired, 21 years ago. Aside from the SuperClip--which Froehlich began noodling with 15 years ago, after a customer requested an oversize paper clip mounted on a wooden base as a paper holder--Ace has nothing to do with the office-supply business. It operates in markets where its ability to add value by manufacturing high-quality custom parts in relatively low volume has earned it loyal customers.

Ace's core markets are--as Froehlich now concedes--the antithesis of the office-supply industry, where consolidation has grown so frenzied that last year the Federal Trade Commission quashed Staples' efforts to acquire Office Depot, out of fear the merger would restrain trade. On the manufacturing and distribution side of the industry, the story is similar, with equally huge billion-dollar concerns such as Viking, Acco Products, United Stationers, and S.P. Richards dominating what amounts to a commodity business. In the office-supply business, you add value by delivering a lot of product at a low price.

Froehlich, who started working for her father's company when she was 14, recalls the night her father brought home a Slinky. Her response to that novelty was not to play with it but to ask, "Why didn't *we* invent this?" It would seem that she has since vowed that the SuperClip will atone for that oversight.

Richard, who grew up in the neighborhood and for 12 years attended a parochial school just a quarter mile from Ace's plant, serves as Froehlich's subdued alter ego. He freely admits that he doesn't much care for people; he's happiest when he's out back, overseeing smooth-running machines cranking out one identical--and profit-producing--spring after another. The Froehlichs' hard work has earned them a demanding customer base that reaches from coast to coast, and they make springs to tolerances as tight as three one-thousandths of an inch. Ace houses 10 computer numerically controlled machines representing a total outlay of more than $1.5 million.

Of his wife, Richard notes wryly: "She likes to sell. She likes to listen to that BS."

Linda returns his smile playfully and says, "That's what sales is: kissing butt."

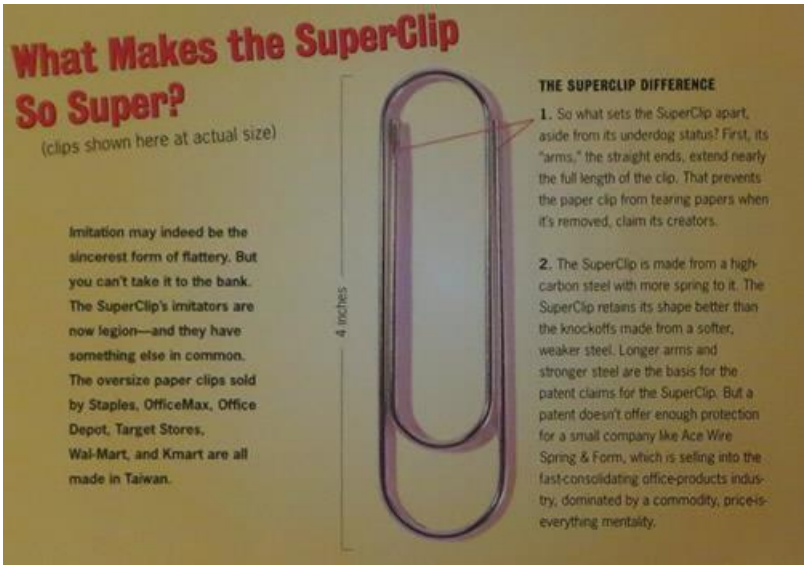
Richard's subtext is clear: the core business dutifully grinds out money; the SuperClip, to date, has eaten it. The Froehlichs estimate they've spent upwards of $300,000 on the SuperClip, $150,000 in patent lawyers' fees alone.

Still, what started out as Linda's lark has become a dream shared by both of them.

In the summer of 1995, when Ace landed its first big order from Office Depot, everyone at the plant pitched in to package the paper clips, ensuring that they were lined up facing the same direction. Then Kmart did a test of the product and gave Ace a solid order worth $85,000, and Target's West Coast stores began carrying the clip. In 1996 sales of the SuperClip shot to a respectable $400,000. But in the spring of that year, knockoffs began cropping up, eating into the SuperClip's sales. Linda even suffered the ignominy of walking into a Wal-Mart and coming face-to-face with a pseudo-SuperClip after the retailer had evaluated the clip and advised her that it "had commercial potential"--while the company was in the process of ordering a similar product from offshore. "You might as well have just torn my heart out," she says.

This year the Froehlichs figure they'll be lucky if they do $200,000 in SuperClip sales, and pallets of the product now languish in the shop out back, gathering dust.

Sitting in their conference room, the Froehlichs lay out the SuperClip's life history, like embattled generals fighting a rearguard action. The physical evidence adds up to a dozen years of toil: grimy bags filled with odd pieces of wire; musty files; and a scrapbook as thick as the Gutenberg Bible, featuring every bit of press the SuperClip has fetched. There are packages of the product in previous incarnations, namely the Execu Clip, the Giant Clip, and the Clipster.




One of the Froehlichs' early allies was Steven Meyer, who met Linda in 1987 and helped her with a promotion in which the SuperClip was folded into every copy of a local business journal. A distributor of office products and the founder of a network of 100 office-supply dealers in the United States, Canada, and the United Kingdom, Meyer calls the SuperClip "a really functional product. People really wanted it." He adds that Froehlich "was not naïve, but what she didn't realize was that she was playing in the big leagues. I apprised her of the strength of the manufacturers and what it would mean to be dealing with the likes of Wal-Mart and Office Depot. I talked to her extensively about the possibility of someone knocking off the product."

Froehlich understood the risks but believed that with the patent to protect her, "the road ahead would be smooth." Because she was aiming for "a big hit" in the mass market, she chose not to pursue a joint-marketing venture with Meyer that would explore possible niches for the SuperClip. Rather, she approached Acco USA, a $1-billion office-products manufacturer and distributor, inquiring if it wanted to acquire patent rights to the SuperClip. Acco is a Chicago-area-based subsidiary of Fortune Brands, formerly American Brands, the $4.6-billion producer of such diverse products as Titleist golf balls, Jim Beam bourbon, and Moen faucets.

"Acco told me it was a novelty," says Froehlich. "They weren't interested." Challis Yeager, an Acco spokesperson, says that the company "has no record that we were contacted" by Froehlich.

But after banging on Office Depot's door, Froehlich made her first sale to the chain. Office Depot's buyer, Carol Martin, recalls the SuperClip as "a good product that definitely had a use." Looking for a leg up on the competition, she decided to order the product.

When Froehlich broke through with Office Depot, Meyer says, "she cracked a major player. That was incredible." Now Acco had to take notice. But it was not in the manner Froehlich expected. Using its contacts in Taiwan, Acco produced a SuperClip knockoff called the MegaClip, which, given Acco's marketing clout, it has had no problem selling to Staples, Office Depot, and OfficeMax. It showed up on shelves in the summer of 1996. Notes Meyer: "Acco blew her off, and then they knocked her off. A product is always a 'novelty' until someone else starts manufacturing and selling it."

Yeager says Acco was simply responding to its customers' needs. "We were approached by our customers to come out with a similar product." She adds, "Of course, we put our spin on it through better manufacturing processes and better packaging. The product also has to meet a certain price point."

No matter how unique and proprietary Linda Froehlich may have perceived the SuperClip to be, in the cold-blooded world of merchandising, it amounted to just another commodity. The price point, as established by the industry, appears to be 99¢ for a package of five, and to meet it, manufacturers, playing at the global level, go offshore, where wage rates are low and environmental laws lax. But the Froehlichs, who grew up and have built their business in the Pittsburgh area, have a different frame of reference.

"We've always thought of ourselves as an American manufacturer," says Linda. Moreover, adds Richard, "we never thought about going offshore, because we wanted to keep control of the quality."

To date, the SuperClip has been made in McKees Rocks from domestic steel. Because of tough environmental laws in Pennsylvania, it's shipped out of state for plating, then back to Pittsburgh, where handicapped workers package it. In all, nine U.S. companies have a hand in producing the SuperClip.


Soon after Meyer first met Linda, he did some market research for her that revealed that people would pay a quarter for a single SuperClip. But a package of five SuperClips retailed for $2.49--or 50¢ each--in order to provide the retailer with its typical 50% markup. Linda contends that Ace has considerable development costs sunk into the product and that once some of those have been recouped, she will lower the price.

On paper that makes sense, given the risks assumed by the Froehlichs and the presumed protection the patent would afford. But the marketplace is less charitable.

"The customer looks only at price," counters Meyer. "Her challenge is, How does she educate the customer that she has a better product? Her prospects are, frankly, not bright." Indeed, as Froehlich began bird-dogging buyers at industry trade shows, she often ran smack into the pricing buzz saw. One buyer from Staples, finally wearying of being approached by Froehlich once too often, blew up, warning her: "Just stay away from me. Until I can sell it for 99¢, I don't even want to talk to you."

She says she received a similar rebuff from the buyer at OfficeMax, who, Froehlich claims, summoned Froehlich to her office in Cleveland on the pretext that she was ready to place an order. Nothing came of the meeting, and a few months later, the Acco MegaClip began appearing in OfficeMax's stores.

Enraged, Froehlich called the buyer. "I said to her, 'Don't you have any allegiance to the American worker?'

"She said to me, 'Get real, Linda. This is business. The only allegiance we have is to our employees and our shareholders.' " (*Inc.*'s calls to the buyer were not returned.)

As the knockoffs proliferated, the SuperClip began to lose the toeholds it already had. "The buyer at Kmart warned us that we were going to have a problem with price," recalls Richard. Kmart now sells a product in a package simply labeled "5 Super Clips." Those clips are made in Taiwan. Business with Target--which now sells "5 Really Big Clips"--similarly withered.

In May 1996 Linda sent the SuperClip off to Wal-Mart for inclusion in its "Support American Made" program. In mid-June Wal-Mart told her in a letter that the SuperClip had "commercial potential" and would be passed along to a buyer for further review. That process took four months. The deadline came and went, with no response from Wal-Mart. Then, in a letter dated December 2, 1996, Wal-Mart's buyer advised the Froehlichs, "I do not see a need for your product at this time...and I would like to bring the pricing of this product to your attention. I have received comparable products, and your cost is not in line with other manufacturers." In the meantime Wal-Mart had sourced the product from Taiwan in September. Wal-Mart's offering in the oversize-paper-clip category is a Mega Clip--not to be confused with Acco's MegaClip.

Such confusion, however, would be understandable. Based on tool-and-die markings, Richard says, both products might even come from the same factory in Taiwan.

Spokespersons for OfficeMax and Wal-Mart have no difficulty defending their dealings with Froehlich. "The way we procure a product is to always look at several sources. We consider new as well as existing vendors, and we look for the most effective way to present that product to the consumer," says Mike Weisbarth of OfficeMax. "There was nothing unusual or underhanded about our negotiations with Ace."

Daphne Davis of Wal-Mart says, "Even though we say a product may have commercial potential, it still may not be appropriate for our stores." She adds, like Weisbarth, that Wal-Mart always considers multiple sources. Never mind that Wal-Mart ordered its SuperClip knockoff in September--while it was in the midst of evaluating the Froehlichs' product. Evaluations, Davis contends, are done off-site by an independent party, and thus the buyer of the Mega Clip probably didn't even know of the SuperClip.

In truth, in the office-products industry, just as quality often takes a backseat to price, it also runs a distant second to depth. Vendors must be able to present a long line or, lacking that, be able to promise substantial volume in a shorter line.

"You have to be able to show a retailer you can do $250,000 worth of business with them in a single product, or else it's not worth it for them to set you up in their computer system," says Richard Froehlich. Don Peterson, an industry marketing consultant who worked at Acco for 27 years and is now a consultant to Ace, echoes that observation. "There's an edict that comes down from the top of these corporations: Cut the number of vendors," he says. "I've run into a number of companies with great products. Unfortunately, many retailers don't want to do business with one-product companies anymore." That results, he adds, in innovative and high-quality products' sometimes being shut out of the market. Says Peterson of the SuperClip, "This is the best-quality product, and they're not even getting the chance to bring it to market, because they've been aced out by other people who have used their leverage and clout to kill it."

A decade ago there were some 15,000 local stationers in the United States. That population has been reduced by 75% as giant consolidators like Staples have remade the industry. Today manufacturers pay huge amounts, sometimes as much as

$60,000, for a whole page in the catalog of a wholesaler. For that kind of money, they're buying access to the top retailers. In addition, the manufacturer pays a "rebate" to the retailers if they do a certain level of business in the manufacturer's goods. The greater the volume, the bigger the rebate. The office-supply industry has become a volume-driven business that encourages the large retailers and distributors to carry those vendors with the deepest product lines.

Such arrangements are in industry lingo "soft costs," but for small suppliers like Ace, they amount to a hard reality. What Linda Froehlich heard over and over again as she shopped the SuperClip around was: "It's a great product. What else do you have?" The answer: not much. The Froehlichs do not have an army of product developers dreaming up new ideas and extending their line. They have two stock-keeping units (SKUs), the SuperClip in gold and silver. Acco, the corporation that dismissed the SuperClip as a novelty, has more than 5,000 SKUs.

"There's no doubt in my mind this product could be on the shelves and making millions. That possibility has just been eliminated from my life," says Froehlich. "Maybe it's a compliment to have so many imitate the product."

Despite her regrets, Froehlich's reflective moments appear to be strength-gathering interludes in an ongoing struggle. In the latest chapter she and Richard have conceded that they will go offshore, to Taiwan, to have the SuperClip made. "We'll meet the competition's price, and our quality will be better," she vows.

Still, there's a hollow feeling about that decision. She and Richard always prided themselves on being American manufacturers; then there's the gnawing unease that they may be in Taiwan today, but tomorrow will they be chasing lower labor costs to India or Pakistan? Their "manufacturer" is, in fact, set up in a 2,000-square-foot space in what amounts to the ground floor of his apartment building. "It's not a factory as you or I would know it," says Linda glumly.

Similarly, the Froehlichs will extend their product line by introducing the SuperClip in various colors to appeal to the school and office markets and hope to offer a midsize paper clip that will double as a money clip. But the word on the street is that Acco is also about to introduce colored versions.

Still, Froehlich remains resolutely optimistic as she recounts various other initiatives. Ace has landed contracts with the federal government, the Arthritis Foundation really likes the SuperClip because it's so much easier to use, and Froehlich has even been trying to induce a national fast-food chain to give away SuperClips as a back-to-school promotion. "There are a lot of outlets we have yet to try," she says brightly.

And yet those efforts remain forever shadowed by what might have been. "We've put a lot of hard work into this, and at some point you want to reap the benefits," she says. "There's no question; ours is the best. We've got too much of our life invested in it to quit."

Asked when that day might come, she immediately rebuffs the question. "I've worked too hard, and I'm not about to let go," says Froehlich. "In 20 years this product will be everywhere." That may be true. Less certain, though, is how much of it will be hers.

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