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July 13, 2009 2:30 PM CDT

Minnesota Cup helps entrepreneurs develop ideas, raise capital, attract clients

by [Scott Carlson](#) Staff Writer



Entrepreneur's inventory-analysis software one of 49 finalists for annual Minnesota Cup, which encourages breakthrough innovation

It was on one of his nightly walks along the Mississippi River, about three years ago, that entrepreneur John Krech was hit with an epiphany.

Krech, a veteran inventory-management specialist from 3M, suddenly realized that most companies view managing their inventories as an expense rather than a potential profit center, and that their choice of inventory software programs reflected that limited perspective.

"It was a revelation," recalled Krech, who on subsequent walks translated that insight into a potential business opportunity. He

likened his research to "peeling away the layers of an onion."

Today, Krech's walks have led him down the road to the Minnesota Cup, an annual business competition that supports and recognizes innovative business ideas. The Cup's judges recently selected Krech and his company, ePhiphony Inc. as one of 49 semifinalists from more than 1,000 applicants for the 2009 competition.

Today's ePhiphony Inc. is an Eagan-based developer and publisher of a software suite designed to help small- to midsize companies make the most of their inventory investments.

Called Phitch OC 9.0 (pronounced "pitch), Krech's software product is helping businesses determine not only when to order inventory but also how much to have on hand, thereby maximizing cash flow and profits. Krech said that makes his company's software a cutting-edge product, with proprietary formulas for which he is seeking to gain patent protection.



The statewide cup contest is designed to seek out, support, celebrate and promote such innovative business ideas, according to its organizers.

And the cup runneth over.

Five years ago, the Minnesota Cup awarded \$37,000 in prize money; this year, that total has swelled to more than \$130,000, with prize awards destined for a winner in each of six divisions plus one overall grand champion entrepreneur.

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“The cup has become part of the DNA of starting up companies in the Twin Cities,” asserted Twin Cities businessman Dan Mallin, co-founder of the contest. Since the Minnesota Cup’s inception in 2005, more than 2,600 contestants have entered the competition from across the state and more than \$175,000 in prize money has been awarded.

Prize offers multiple benefits

In addition to the recognition it provides, the prize helps budding entrepreneurs develop innovative ideas and refine their business plans for, among other things, raising capital and attracting clients, organizers said.

Mallin and Scott Litman, also a co-founder of the contest, said they initiated the competition partly to spur Minnesota’s economy and help foster a favorable business climate.

Mallin, a co-founder of the Minneapolis-based Magnet 360 advertising and marketing services firm, said the contest judges review contestants on, among other things, how clearly they present their business concept or product, and then, on demonstrating how their plan can be brought to market.

“Is it a big breakthrough idea that could become the next 3M, Medtronic or Cargill?” Mallin asked. “All of those have developed into institutions.”

The cup’s judges will pick three finalists for each division (high tech, clean and green, biosciences, social entrepreneurship, general and student) in August and then select a grand champion entrepreneur in September at a star-studded business dinner, Mallin said.

Contest sponsors include the University of Minnesota, Wells Fargo and the state of Minnesota.

This isn’t Krech’s first shot at being a winner. Two years ago, when he was forming ePhiphony, Krech didn’t make the cut. Last year, Krech was busy applying for a patent for his company’s software and didn’t enter the contest.

“This year, it seems is a good time” to compete for the cup, Krech said. “This (cup) program has helped to develop our business plan. I recently formed a board of advisers.

“We are at an early stage and finding out where our market is,” Krech added. “There are a lot of retail businesses interested in our product.”

Founded in 2007, ePhiphony draws upon Krech’s 20 years of global expertise in inventory and manufacturing management systems at Maplewood-based 3M Co.

Currently, there are nearly four dozen other inventory-software programs that, like Phitch, are compatible with Quickbooks. Most of them, however, rely on cost-based settings that are only partially capable of measuring true business performance, Krech said.

And the average price per user for the other programs is more than \$1,900, Krech said.

“In our market, that’s not affordable” for small companies and much more costly than ePhiphony’s Phitch, which sells for as little as about \$13 a month, he added.

“We have positioned ourselves from affordability and ease of use,” Krech, a St. Paul native, said of his market niche.

Currently, ePhiphony is serving about 30 companies (whose annual sales range from \$40,000 to \$25 million) and is projecting sales of about \$16,000 for 2009, Krech said. His company logged its first international sale this month, downloading information for a business in Costa Rica.

Krech, who has degrees from the University of Minnesota and the University of St. Thomas, is looking for companies to reap financial benefits from his inventory software.

“By maintaining optimum inventory levels and order quantities, Phitch OC 9.0 may readily reveal a 15 percent improvement in economic profit over the conventional methods, providing businesses with hundreds of thousands if not millions of dollars in real and measurable benefits by simply changing the rhythm of when and how much inventory they order,” Krech said in a recent news release.

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