

P H A S E
I

DEVELOPMENT

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CHAPTER 1

Develop the Idea

Nations may rise and fall, but an idea lives on. Ideas have endurance without death.

—John F. Kennedy

The path to being a product creator starts with wanting more. Wanting more satisfaction out of our work, more control over our time, or more money. It grows with curiosity. Curiosity about what happens outside our cubicle, away from our desk, and elsewhere in society. Curiosity about what is really possible, and what we are really capable of. These emotions ignite with a spark. A light bulb goes off in our heads. Suddenly, we have an idea that might help or entertain people. The idea refines itself and takes the shape of a product: an object that holds the power to simultaneously solve a problem and make money.

The new shoes you want to make for style or comfort, the new snack you want to make for taste and health, the new toy you want to make for decoration and entertainment—are all within reach. Every successful product around you started as a concept, many of them created and brought to market by people just like you.

Whether you want to rescue yourself from unemployment (or from employment), see your ideas come to life, or find a way to

help and entertain the people around you, creating and developing your product idea can help make that happen.

Overview

Before we get into the longer discussion of creating and selling your product, let's start with the definition of *product*. It is, admittedly, a bit of a catchall. When we use it in this book, a product is an item that is packaged and labeled for sale. It could be on a shelf in a brick and mortar retailer, or it could be for sale online. It is probably labeled with a UPC code. It is a standardized and producible object. It is scalable, salable, and tangible.

In general, the products business is a crowded, competitive space. It can be complex because of the multiple moving touch points between you and your customer and daunting in the scope of events that you will need to manage.

Starting slow, thinking through investments, and trying to spend as little capital as we initially can, we build this complexity piece by piece, only engaging new players once we know what their role will be. For example, although you can make your formula in your kitchen or at your desk, you will eventually benefit from a supplier to create and pack your product. Although you can sell your product on your web site or in your living room, you will eventually need a network of brokers, distributors, and retailers to really scale. Each of these players comes with trade-offs—their own set of intricacies, rules, expectations, and best practices. These reasons (and not always a quality of the product itself) are why the failure rate on new product introductions, especially by new or inexperienced companies is more than 90 percent.

However, with this book in hand, you will be armed with the kind of knowledge most product entrepreneurs don't have, and you should be well prepared to penetrate a notoriously thorny world. And why not?—established products bring with them a lucrative and long-term revenue stream. In the case of a sale, a very favorable valuation, often four to six times revenue. That means if you are able to work your way up to, for example, \$1 million in revenue for the year, you could sell your company for \$4 million to \$6 million.

An established product is also a direct line to customers, and is a way to communicate a message unlike any other channel. Success can

bring the ability to affect society and tackle social problems, as well as personal recognition and empowerment. That next great idea that you're sitting on is a lottery ticket that lets you pick the numbers as they roll.

The successful products company understands branding, marketing, design, and the messages that matter to their customer. It also understand their partners and suppliers, and build great relationships. Getting through retailers involves street level sales, incentives and promotions, support, and exclusivity. It is nearly impossible for one person to do alone and part-time, but not at all unachievable to leverage your available labor if planned properly.

I did it. And I'm going to show you how.

Keep in mind that even a cleverly engineered supply chain is not enough. The products business is capital intensive. Your manufacturer is going to have minimum production volumes that could be in the truckloads. This book will walk through some negotiation strategies that work, but keep in mind that you will likely have to finance your first order alone. Production should not occupy your whole wallet either, as sales and marketing expenses should be in the plan as well. Although this book will focus on getting your concept to a shelf, every product entrepreneur should have more than a cursory understanding of the costs involved.

Start with Yourself

You are special, but not unique. The experiences and insight that you have developed over the course of your life are yours, but likely similar to a larger group of people. In addition, it is likely that the things you need are commonly needed by your group. Perhaps you already know what kind of product you want to make. Perhaps you even have an idea of what it would look like and what features you would like it to have. Then again, you may have picked up this book exactly to get that kind of inspiration.

Ideas are fluid things—they can change shapes in your head and be very slippery to nail down, even when you think you have a pretty solid concept. For many people I know, this is a big stumbling block—you cannot very well act on a concept and bring it to life without putting it on paper in a way that lets you understand yourself better. A mind map is one tool that enables you to lay out an idea in all its interconnected glory.

How do you create and use a mind map? Stephen Zhu, vice president and co-founder of XMind, recently launched a digital product called XMind in China. It's mind-mapping software—and to create it, Stephen had to become something of a mind-mapping expert. He says the best way to mind map, if there is such a thing, is to proceed without limitations. Let the creative sparkle work out first, then organize your thoughts, and finally format the map so that it's easy to refer back to.

I have found that XMind is easy to use. It helps to clarify your thinking by offering a digital place to vent. But the biggest mistake I've seen people make is to get caught up in the organization and formatting of the process before all their ideas get out. Don't let that happen to you.

The first exercise in this chapter will get you started on laying out all your random thoughts about your concept. Don't worry too much about whether it makes sense or where it goes; just get into the concept map and lay everything out. Take a peek at Figure 1.1 to see how I did.

Depending on your area of interest, expertise, or skill, you might choose one industry and category in which to launch your product. For example, in looking at my mind map, I might realize that I have some consulting skills and really want to help small businesses, or that I know many young professionals and have always wanted to create electronics. If you don't already have a product in mind, selecting this type of segment from your network and the industry you want to play in could be the most influential decisions you make. (We will get into this in Chapter 2, and will start industry selection in the next exercise.)

When you haven't yet found inspiration in a current product, see if you can identify a customer you have access to. Are you part of a group of people who share a hobby or passion? Most of us are, even if we don't think of it that way. If you work in an office, everyone there has that in common with you. If you are a member of a gym or play a sport, those are both groups of people who share a very specific pastime. Even seasonal hobbies like snowboarding the winter or jogging in the spring can come with large groups of people who are all interested in similar things. Once you figure out where that group of people is for you, start figuring out what they need. Loiter and talk to people in your gym, join a runners' club, poll people in your social group about what they might need.



Figure 1.1 Launch My Product—Sample Mind Map

Exercise: Mind Mapping

Before you read any further, grab a pencil and try this exercise. Let's map out your interests and skills in a quick diagram that could help you get thinking about what you bring to the table.

Put your product in the middle (if you know what it is, great; if not, don't worry) and list around it all the things about you that could help. Skills you have either from hobbies or past work count, as do the people (both individuals and social groups) that you know. Also, think a bit about why people want this product—what problem do you want to solve for them that will make them want to purchase this from you?

Now, look back at your map. How many of your own skills and experiences seem apropos to your product idea? Depending on your personal and

professional background, you may have a lot of content to learn. The product launchers I've met fall into one of two categories:

1. Professionals with decades of relevant industry experience who are flexing the full might of a platinum Rolodex to get their product out.
2. People who are chasing a passion without substantial work experience in their field.

I happen to be the latter, but am not necessarily endorsing either.

By the way, if you wanted to try XMind, check out www.xmind.net/.

Use Web Tools to Gauge Demand

As you start getting a feel for a product you might want to create, cross-check your intuition against demand with some of the tools made available to you.

Google Trends channels the zeitgeist of arguably the biggest demand processor in the world. Every moment, someone is typing what they want into Google, and we can read about it using Trends. The key to getting usable insight out of Trends is to test not the name or category of your potential product, but the question keywords that your customers might be thinking about.

When I was trying to come up with my product, I went to Trends to see how some of my different proposed selling points stacked up. I wanted my product to be a starfruit juice (based somewhat on some antioxidant reading I had been doing at the time), but a quick test on Trends confirmed that people were not really searching for starfruit. They didn't know about it yet. People *were* frequently and reliably searching for antioxidants and Vitamin C, however. While this does not necessarily mean they want to buy them, it's definitely an indicator of demand. They had recently been much more likely than in the past to be searching for superfruits. And this was not only true in the United States but in many major markets around the world. Given that my juice was going to be rich in antioxidants and Vitamin C, and was itself a superfruit, I was feeling confident that my product had merit, and in my ability to capture some web traffic.

Exercise: Break It Down

Before we get into the real nuts and bolts of your project, do you already have an inkling of what category or product type you want to work on? Using only your gut feel, look at Table 1.1 and cross off all the categories that you *don't* want to create a product in. Circle the ones you might be interested in.

Table 1.1: Product Categories

Product Category	Product Type	Super Type	Types of Products
Automotive Parts	Specialized	Hardgood	Parts, Tools & Equipment, Accessories
Baby Food and Supplies	Food/Bev/Chem	Consumable	Nursery, Feeding, Foods
Baby Supplies	Specialized	Hardgood	Nursery, Feeding, Gear
Beauty	Food/Bev/Chem	Consumable	Fragrance, Skin and Hair Care, Bath—high-end brands sold in department stores
Books	Specialized	Content	Books, Calendars, Card Decks
Camera & Photo	Electronics	Hardgood	Digital Cameras, Camcorders, Telescopes
Cell Phones	Electronics	Hardgood	Phones
Cell Phone Accessories	Electronics	Hardgood	Fashion Accessories, Batteries
Clothing & Accessories	Fashion	Hardgood	Outerwear, Athletic Wear, Innerwear, Belts, Handbags, Wallets, Sunglasses
Collectibles	Entertainment	Hardgood	Coins, Stamps, Cards
Consumer Electronics	Electronics	Hardgood	TVs, CD Players, Car Audio, GPS

(continued)

Exercise: Break It Down *(continued)*

Product Category	Product Type	Super Type	Types of Products
DVDs and Videos	Entertainment	Content	Movies and TV shows, Blu-Ray
Furniture	Specialized	Hardgood	Indoor Furniture
Gourmet Foods	Food/Bev/Chem	Consumable	Meat & Seafood, Chocolate, Desserts, Gift Baskets
Grocery	Food/Bev/Chem	Consumable	Beverages, Breakfast, Canned Goods, Household Supplies, Snacks
Health & Personal Care	Food/Bev/Chem	Consumable	First Aid, Nutrition, Hair Removal, Beauty brands sold in discount stores or drugstores
Home & Garden	Small Items	Hardgood	Furniture, Bedding, Vacuums, Pet Supplies, Gardening Tools
Home Improvement	Specialized	Hardgood	Hand & Power Tools, Landscaping, Plumbing, Electrical, Building Materials, Appliance Parts
Industrial & Scientific	Specialized	Hardgood	Lab Equipment & Supplies, Industrial Materials, Power Transmission and Electronic Components, Sanitation, & Janitorial Supplies
Jewelry	Fashion	Hardgood	All Jewelry
Kitchen	Small Items	Hardgood	Small Appliances, Utensils, Tableware

Motorcycle & ATV Parts	Specialized	Hardgood	Parts, Tools & Equipment, Accessories
Music	Entertainment	Content	CDs, Cassettes, Vinyl
Musical Instruments	Specialized	Hardgood	Guitars, Orchestra, Recording Equipment
Office Supplies	Small Items	Consumable	Pens, Pencils, Stationery, Paper, Supplies
Personal Computers	Electronics	Hardgood	Desktops, Laptops, Drives, Storage
Pet Food	Food/Bev/Chem	Consumable	Dog, Cat, Fish Food
Pet Supplies	Small Items	Hardgood	Pet Supplies
Shoes	Fashion	Hardgood	Shoes, Boots, Sandals, Slippers
Software	Electronics	Hardgood	Business, Media Education, Utility, Security, and Children's Software
Sporting Goods	Specialized	Hardgood	Sports Equipment, Bikes, Tents, Fan Gear
Toys & Games	Entertainment	Hardgood	Infant & Preschool, Learning & Exploration Toys, Ride-ons, Action Figures, Dolls, Board Games, Arts & Crafts, Hobbies, Furniture
Video Games	Entertainment	Content	Console Games, PC Games, and Accessories
Watches	Specialized	Hardgood	All Watches
Video Gaming Hardware	Electronics	Hardgood	Game Consoles

Source: Amazon.com.

While search is one decent indicator of popularity, conversation is another. Twitter search is a quick and effective way to see what people are tweeting on a particular topic. To continue my example, I saw that many people were discussing how much they loved starfruit. It turned out that while many had not yet heard of it, there were pockets of people happily exclaiming their love for starfruit. However, for my other terms that I thought were working well on Google, a Twitter search only brought up tweets of people hawking one product or another. It seems that other savvy web marketers saw that people were searching for popular ideas and saturated the conversation with them. This is bound to happen—it takes effort to stay ahead of the wave. Also, a quick search on news and blog articles for your item or for your category will help you see what the mainstream media and experts are saying about your category. Finally, make sure you get on to Amazon and see if something like your product already exists.

Through the methods outlined here, you should get a fair sense of what the market will think of your product. The live conversations you have will let you get personal opinions from those near you. Google will tell you what people are looking for, and a Twitter search will let you in on what they're discussing. The experts can tell you whether they agree with Google Trends, synthesis of the information. When you put that all together, you should have an idea of your product's features and selling points, even if you don't know what it is yet.

Indeed, for a while, I had not yet planned a specific beverage, and wanted to learn more about the category. I realized that my product would be all-natural or organic, it would need to emphasize the Vitamin C, and downplay the sugar content. With that in mind, I could get to the details later.

Exercise: What's Out There?

Whether or not you have a product in mind yet, get on to your computer and check out what kind of demand exists for your (or any) product.

- Google Trends: google.com/trends
- Twitter Search: search.twitter.com/
- News and Blog Search: news.google.com/ and blogsearch.google.com/
- Amazon Product Search: amazon.com/
- Bonus: USPTO Search: Look for TESS on uspto.gov/

Capture Inspiration

Now that you have a sense of the demand for a product, search yourself for inspiration. Even a product in high demand will take passion, hard work, and investment. Let's be sure to find something you can stand behind. What needs do you want to fill? Perhaps you wish to bring people a product they enjoy at a better price and compete on value. Perhaps you wish to create a more premium product and offer it to customers who value it. Perhaps you wish to create a new category and decide for yourself what is or is not premium.

Just as important as the product you are trying to produce is your rationale for doing so. Do you want to have your own business to run, or do you just want to be an inventor? Do you want to build a global brand or do you want to create a local cash cow? Do you want to create a lean and invisible machine, or a vehicle to employ all your family members as it brings you fame and fortune?

The important decision that you will likely need to make soonest is whether you want to create a source of immediate income, or create something valuable but perhaps not high income that you could sell one day for a large sum of money.

There are benefits to both, of course, but it can be challenging to do both at the same time. If you are keeping the money you make as income, it cannot also be reinvested into your company to create a growing brand. There are limitations as well—if you don't have the preexisting savings or the access to capital to create a longer-term brand, you have to play the brutal Venture Capital game much earlier on.

Carter Reum, the founder of Veev (the first and best Açai spirit) and a guy whose opinion I respect tremendously put it really well:

With only a few exceptions, if you are starting your business without extensive access to capital (\$2 to \$5 million), then plan your business as a cash flow generator until you are a bit larger, a bit more experienced, and better networked with that kind of capital source. If you have the access to capital and the stomach to suffer through the downtimes that will inevitably strike, then strive to build a brand that you can one day sell to make a tidy sum.

Otherwise, you will spend not enough capital to build a brand, and won't have enough cash flow left to live on. Projects fail when the founder runs out of cash because he didn't plan his venture properly at the beginning.

A Note on Wealth

Most of us aren't sitting on millions of dollars. If you are, call me. I have an investment idea for you. (Just kidding.) Many of us don't have personal access to those who do either. For now, don't worry about it. We are each richer than we think and better connected than we know—and will learn firsthand how a great idea can open doors.

We're going to spend more time on fundraising and financing in Chapter 8. For now, just keep in mind that while starting a business can be bootstrapped, running a products business nearly always requires capital.

A Difficult Game

There are many challenges standing between you and product success celebrity. While launching a product is not at all impossible, I would be remiss if I did not point out the difficulties up front.

Failure Rate: In this past year, entrepreneurs like you will have brought thousands of new products to market. In a few years, less than 10 percent will survive. Sometimes products fail because they are not that good, but often it is because the product is poorly planned and inadequately merchandised. With the help of this book, we'll get you moving with a sound strategy, an innovative product, and attractive packaging. Whether or not your business implodes after that will be less a matter of chance and more a reflection of your foresight and tenacity.

Supply Risk: Whether your product is filtered water or remote-controlled toy cars, you will need to get your raw material from somewhere. You'll buy these raw materials from a supplier, and once you do, you'll depend on that supplier to reliably get you the same stuff from then on. You depend on a supplier and face risks on the availability, quality, and price of your product, as well as logistical risks around shipping time and changing policy (that is, minimum orders, or input commodity price). You might also face political risks in the

country you choose suppliers from as well as currency fluctuations (if it's somewhere other than your home country). There are various strategies for mitigating supply risk, and we'll cover them together. However, keep in mind that just because you finally get your product right, you cannot forget about your suppliers or their businesses.

Aesthetic Challenges: Creating a great product alone is not enough. The marketplace is crowded with applicants for the Next Big Thing, and you're no different (yet). A customer selecting a product for the first time does not know anything yet about your brand. Your product needs to speak for itself, it needs to stand out while being consistent, grab attention without being garish, and communicate a message that is in line with yours—all without you there. When bootstrapping a product launch, it is likely that you will not initially have the luxury of creating several packages and testing them. You are going to have to trust yourself and create something, and hope that the market finds it appealing. We'll discuss later in this book a few good ways to get the most out of your packaging and hopefully save you some painful iteration.

Tiered Customer Challenges: When your product and package are shiny and complete, you now have to get them in front of your customer. While you could set up a stand in front of your house or a web site and sell directly to your customer, chances are that you want to experience the scale that comes with the products business. There is a vast network of power players between you and your consumer and you will have to meet them all. Across the country, millions of consumers go to thousands of stores to shop. These stores (or accounts, for you) in turn buy their goods from hundreds of distributors, who deliver all sorts of product to them. These distributors have the ability to buy your product, and put you in front of many more customers than you could hope to find on your own. Together, we will show them that your product is an innovative new product and has promises of success.

Cash Flow Challenges: Before tremendous demand pulls your product off a store's shelves, this business is a sales-heavy business. Just as hard as you sell to your distributor, they

have to sell to their accounts (with your help). The accounts then use every trick they have to sell hard to customers, as your newer product carries higher margins for them. Since everyone thinks they are doing each other a service by taking on this risk, there are typically credit terms all along the way. Accounts won't pay your distributor for 30 days, and in turn, the distributor will try not to pay you for 30 days. In practice, these 30 days easily stretch out to 45 or 60 days. This means if you don't have a few months of working capital and inventory to match, you might have to dig deep into the pockets of yourself and others to stay afloat while waiting for payment.

Brand Inertia: Brands don't build themselves. Not only will you have to have clever marketing and advertising, but presence and consistency across an ever-growing number of channels. You will have to compete not only for your customer's dollars, but their thoughts as well. Through the merits of your product and your message, you will need to guide your product from unknown to one that people demand. It can take time, resources, and skillful execution of a valuable product to get a brand moving. If you're a lone entrepreneur like I was when starting Star Power, this will likely be your largest challenge. However, with a good product, patience, and the resilience not to quit when the going gets slow, you too, will build yourself a thriving young brand.

If you are not yet dissuaded, then perhaps you'll succeed in this business.

Overcoming Obstacles

In addition to some of the general challenges of a products business, there are a few important considerations for the product itself. If the product is wrong, even flawless business execution may not save you.

Too many product launchers that I know make the same mistakes again and again. While it is possible for some of the bigger products companies around to make these errors and get away with it, it's tougher for the startup because we are often under much

more scrutiny and much higher expectation from our customer. In my experience, I've seen three main reasons that products fail—besides just being run poorly.

Failure Reason 1—A Cool, but Useless Product: If the inspiration for your product started as “Wouldn’t it be really cool if . . .” think really carefully about your market. Would it be really cool to have a piece of computer hardware that allowed you to share smells around the Web, or allowed users to smell web sites? Yes, it could be cool, but it would be very expensive and you would get assaulted by smells from your computer. If your product doesn’t seem to solve a pressing issue, it probably doesn’t.

Failure Reason 2—An Insignificant Market: Then there are products so specialized that they cater to a market of one. There are times when a product launcher looks at his customer and fits his needs too closely. I once wanted to design a new kind of wallet designed to fit over a Moleskine notebook. While the exercise started innocently enough, I soon started imagining it especially for people who carry it everywhere and also carry very little in their wallet, who are in the college student life stage, and are hipsters. They also need to like the product at all. This customer probably exists, but there aren’t going to be enough to even pay your mobile phone bill. As you think through your target audience, make sure it’s sizable enough to contribute a meaningful amount of money toward your retirement fund.

Failure Reason 3—A Nonproducible Product: Finally, there is the *nonproducible* product. There are some parts too intricate for a mold to make, and some products too complex for people to assemble. While it is often tough to know this ahead of time, pay attention to the part of the next chapter in which we seek feedback and partnerships from manufacturing facilities for your product. If they say it can’t be done, or that it will be prohibitively expensive to do, you probably should start over.

That said, there are many challenges that look and feel like the preceding that can ultimately be overcome. A cool product might

Apply the Inspired Launch Method

1. List: Collect a list as exhaustive as possible within a reasonable time frame. First make a list of industries you might want to be in and then of the products you might want to make.
2. Test: Test the options against your skills and vision, and your customers' and partners' feedback.
3. Cull: Eliminate options that aren't going to work. Be aggressive.
4. Pick and negotiate—Select the one to three items that make the most sense, while taking steps to reduce costs and improve benefits if possible.
5. Adapt: As circumstances change, repeat steps 1 to 4.

sell with great marketing, a tiny market might expand with a few tweaks to the product, and an nonproducible item in one factory might already be flying down the conveyor in another.

Summary

It's time to get excited. All of us have had that aha moment when we just knew that we have just had a brilliant idea. We're going to nail it down, map it out, understand ourselves, and make it happen. We're going to be purposeful and avoid common pitfalls by making careful, calculated, well-informed decisions. And along the way, we're also going to have a blast while we make some money.



Challenge: Inner Strength

Go to your local shopping mall (or any other reasonably popular place). As you walk around, get firm eye contact with strangers walking around the mall. Don't break eye contact until they do. Don't make any silly faces (unless you feel like it) and feel free to get into conversations with people you see. Don't get put off if people look funnily at you.

Over the course of one to two hours, see how many people you can engage in this little game, and see how many you are able to keep eye contact with until they drop it.

It's natural to feel a bit uneasy, as society has conditioned us into a certain type of meekness. This kind of uneasiness can trigger our most instinctual fight-or-flight response. Please don't get into any fights—this exercise is meant to simulate the feeling you are going to have each time you meet with someone you need—whether a potential partner, investor, or customer (all of whom are nearly the same thing for a start-up product).

