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## Five Essentials Start-up Firms Require for Product Success



Customer profiling is an activity routinely performed when we receive calls from start-up firms. The nature of the jobs they present offer uncommon opportunities, but latent inexperience can create imposing challenges that can later derail a project. After it is confirmed there is a fit with our services and their needs, we dig a little deeper to see if the customer is truly prepared to get the most from the product development process.

Regardless of high hopes it is a somber fact that nation-wide, fewer than 5% of new product ideas actually succeed. With those odds, how do we make a best guess regarding *which* prospects have the best chance of bringing their product to market? Simple, we look for the same characteristics our most successful customers have exhibited in the past. We don't exactly conduct cross-examinations, but before a prospect becomes a client, we need to verify these five fundamentals for success.

### 1. A unique value proposition

We ask what makes the product special, and how it differs from competitive offerings. It is important that they have identified an unmet need and remain flexible in assumptions about the market. They should have identified who their customers are, and if they are willing to buy. Have they interviewed prospective customers and suppliers, and solicited an unbiased opinion of their solution?

### 2. A comprehensive business plan

Yes, we ask this question, as basic as it sounds. This road map is the first and most important step toward product development success. Without a good business plan, the project won't have a chance. A (patented) product is a start, but other than inadequate

*A proper business plan should be short (30 pages or less), and simple enough to get points across quickly, especially if others are expected to read it. It's a tool that defines a strategy for success that formalizes company goals and shows how the business operates. The well-composed document will help owners identify opportunities, spot leaps of logic, and address basic issues early in the process while there is still time and energy to find solutions.*

*The authors will determine financial projections with funding requirements and development budgets. They will create a statement of work, outline operations and management plans, and be in a good position to identify an appropriate development team. They will know who their competitors are, and confirmed their idea is viable.*

funding, omitting this step may be the most common error committed by first-time inventors who are not yet entrepreneurs.

A business plan is the best guide others can use to judge an enterprise's potential for success. If our prospect doesn't have one, with a perfected 15-second elevator pitch, the chances of attaining outside funding from investors is severely limited – which introduces the next requirement for product development success.

### 3. Adequate funding

Experience shows that most inventors don't understand the costs associated with bringing an idea to market. It may seem like a boldly probing question, but when we ask "What is your estimate of the overall financial scope of this project?" we are not hoping to gauge what to charge. We



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need to know up front if our prospect has a realistic understanding of how much it will cost to go the distance.

How does one determine the cost of a project that hasn't been done before? As a starting point, prospects should be aware that the product development portion (estimated by the design and engineering team) will likely be less than twenty-five percent of the overall project cost. The other seventy-five percent will be spent on patent protection, manufacturing, distribution, filling the production pipeline, salaries, rent, and administration – to name a few. For medical devices, other significant costs to consider are those associated with testing, certification, and FDA compliance.

#### **4. An exceptional project manager**

Every project needs a tech-savvy point-person to oversee the program. Job duties are to guide the project, answer technical questions, make decisions quickly, interact with the product developer's team leader, and effectively communicate with the start-up firm's internal decision makers.

The project manager should have the ability to promote a smooth work flow, but they can slow things down if they are distracted by something like a day job, which is a red flag. It's unrealistic to expect top performance with the extra burden of divided mental energy and inconsistent availability.

The importance of the project manager role should not be underestimated. We have observed a clear correlation between the outcome of our projects and the character and experience of our clients' team leader. The lesson learned is not agreeing to do a job headed by someone we find unconvincing.

#### **5. Marketing and distribution plans**

Surprisingly, we field too many callers who have either poorly conceived or non-existent marketing and distribution plans - as if the idea of selling the product is only an after-thought. Inquiring about marketing plans is another way for us to note the existence of a fully-developed business plan, since it is the key to answering: How much will you sell it for, who will buy it, and where will you sell it?

The prospect should be aware of specific sales outlet and buyer stipulations. For instance, one should know if there is a stock requirement of four to six months warehoused supply, or if a distributor insists on a line of products, not just a single item. The best product idea can turn into an ill-conceived concept if it doesn't fulfill possibly unexplored conditions. We've seen great medical devices stall (and never make it to market) because they weren't approved by Medicare or private insurance.

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