5 Ways to Increase Your Hardware Startup's Likelihood of Success

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As an entrepreneur, you already know bringing a new hardware product to market involves risk. You have a vision, and you want to profit; however, it's not guaranteed.

Risk can be a part of the thrill, but ignoring threats can lead to recklessness. You cannot eliminate risk, but you can certainly minimize it, protect your investment, and increase your chances of success.

Here are five ways to gain a competitive edge, when you bring your new hardware product to market.

1. Utilize manufacturer resources.

Most manufacturers have resources that can help you. These include free help with design, engineering, 3D modeling and prototyping during product development. They can also connect you with valuable contacts, such as component and packaging suppliers.

They may also extend you credit (allowing you to pay between 30 to 90 days after shipment) if you have a viable product and demonstrate consistent sales. This <u>improves cash flow</u>, which is important during times of explosive growth.

Typically, tooling represents a major upfront manufacturing cost. Large projects or complex molds can easily cost tens of thousands of dollars.

When you work with your manufacturer, they may allow you to amortize your tooling costs. Amortization adds the tooling fee into the unit cost. You make payments instead of paying a lump sum payment. For example, they could tack on $25,000 on your tooling costs to the first 25,000 units, so you pay $1 more for each unit.

2. Use multiple engineers.

It may be convenient to use only one engineer, but you're relying on them to produce a flawless design single-handedly. Large companies <u>use multiple engineers to review hardware designs</u>, and eliminate problems. You should too. Lower your risk, and hire at least two engineers.

Hiring a second engineer to review the design can save you time, money and costly mistakes before investing in prototypes.

At my product development company, <u>Predictable Designs</u>, we always have multiple engineers review designs, and we review designs for other engineers. Design reviews are key to preventing mistakes.

3. Sell sooner, not later.

People may praise your product, but all the accolades in the world mean nothing unless they're accompanied by sales. You need to pre-sell your product, and test it out in the market.

Getting a reaction quickly lets you know whether you have a worthwhile product and whether it's worth spending more resources on. Why waste thousands of dollars, and your life, developing a product no one wants?

When you market software or an online product, you have a definite advantage. You can create a <u>lean version of your product</u>, and get it on the market quickly. If you're marketing hardware, you'll need to mimic this strategy to minimize risk.

Crowdfunding, email marketing and engaging your existing online audience are your best bets because these resources can drastically improve your success. Crowdfunding websites, such as <u>Kickstarter</u>, serve a greater purpose than just revenue. They're the ideal place to get the market feedback you need, and your customers demonstrate their needs with actual money.

Instead of fully developing and manufacturing your new hardware product in volume, sell it while it is still in the development stage. Track comments and sales to see what works.

4. Start with small volumes.

You want to get your product to market quickly and inexpensively. Consequently, you may choose to set up manufacturing in Asia, and order large quantities to lower per unit cost and increase profit margins. But does it minimize your risk?

Manufacturing in Asia increases risk for several reasons.

First, it takes longer to get production up and running than it would closer to home. Second, it is much harder to monitor quality from abroad so you'll need to dedicate more time to the project. Finally, you'll need to order a larger quantity than if you manufactured elsewhere.

If you decide to go this route, you could find yourself stuck with a large amount of inventory that you can't sell, or you may end up with a defective product becasue you were unable to monitor it properly during the production process.

Of course, no one believes this will happen to them. You want your product to sell quickly and consistently, but the reality is that new startups often fail. Why take any unnecessary risks?

Manufacturing small batches, using a local company, is less risky. You'll be able to order less, and you're more likely to get what you want because you can monitor the manufacturing closely.

5. Build your audience before you build your product.

Developing a new product based on what you think people want is almost always a mistake. You should begin building your audience on day one so you can get immediate feedback while developing your product.

When you build your audience first, you get market feedback from potential customers. You also build trust with people who will want your product when you're ready to sell.

Hardware startups face steep challenges, but you can lower your risk and increase your chances of success by exploring these tactics. You can get your hardware product to market and make it profitable. Choose wisely, not recklessly.