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How to Overcome the 4 Biggest Obstacles to Get Your New Electronic Product to Market



| JOHN TEEL | 1 COMMENT



Getting a new product on the market, especially a electronic product, is a huge undertaking with enormous obstacles between you and success. Everything from developing the product to setting up manufacturing and finding customers can result in a bumpy road.

For my hardware startup it took me years to surpass these obstacles – but I learned a lot throughout the process.

To overcome these challenges, you need to be creative, adaptable and absolutely focused.

Download our [FREE cheat sheet \(PDF\)](#) detailing the 18 steps required to bring your new electronic product to market.

Here are the most common obstacles and how to get past them:

1. Developing your product

[Developing and prototyping your new product](#) is your first big obstacle. You'll need to outsource most of the development to an experienced engineer and engineers aren't exactly cheap. You also must budget for multiple prototype iterations to get your product ready for market.

One of my favorite examples is [Dyson](#) vacuum cleaners. Its founder, James Dyson, says it took 15 years and 5,127 prototypes before he got his first vacuum cleaner ready for market!

How is a struggling entrepreneur supposed to finance these development costs?

If you can find a manufacturer that produces similar products, and if they aren't at capacity, you may strike a deal with them to help pay for some of the development. In exchange, expect to give them exclusive manufacturing rights.

2. Setting up manufacturing

Most hardware products consist of two sections: the electronics, and the plastic (or metal) case. And surprisingly, the most expensive thing about setting up manufacturing is the product's plastic, and not the electronics. (The electronics will be the most expensive to develop, but the case will dominate the manufacturing setup costs.)

For manufacturing, injection molding must be used to produce custom plastic pieces. These molds can cost more than \$25,000 each. How does an entrepreneur pay for these molds?

Find a manufacturer that will amortize the cost of the molds. This means they spread out the mold cost over a certain number of units. For example, if your molds cost \$50,000 then the manufacturer may amortize this cost over the first 50,000 units, so you'll pay \$1 extra per unit for the first 50,000 units.

3. Managing inventory

In regards to inventory, the big problem is that typically a manufacturer expects you to make payment upfront before production begins. However, retailers expect to pay you 30 to 90 days *after* they receive the order. So, you most likely, will be in a huge cash bind. There are several ways around this obstacle:

Find a manufacturer that will give you favorable payment terms: My manufacturer agreed to payment terms of 90 days on the first few orders, so I didn't have to pay them until 90 days *after* the order shipped. This allowed me to get paid by my customers *before* I had to pay the manufacturer.

If you can even get payment terms of 30 days that will be a huge benefit. At the very least you want a manufacturer that will let you pay at the time of shipping, instead of before manufacturing begins.

Focus on customers that will give you better payment terms. The majority of customers will not give you an order before you have merchandise in stock, and they almost never pay quickly. So you have to focus on customers that love your product enough to make an exception.

You could also pursue international customers, as they are accustomed to waiting on production of their order and usually pay immediately upon shipping. For U.S. startups I recommend focusing on large retailers and distributors in Canada, then Australia and followed by the U.K.

Purchase order financing and invoice factoring If you get an order from an established company you have two more financing options available: purchase order (PO) financing and invoice factoring. For these methods it's the credit rating of the customer that matters and not yours.

PO financing provides you the money necessary to produce the order if your manufacturer requires upfront payment before production.

Invoice factoring is used after the order has been produced and shipped to the customer, so it allows you to get paid immediately instead of waiting more than 30 days for the customer to pay. Invoice factoring has a lower interest rate and is easier to obtain, because the lender's risk is reduced since you already produced and shipped the order.

4. Getting big customers

The sooner you get a large customer, the easier all the other obstacles will become.

For a product I developed, a miniature lighting device, I had early interest from [Blockbuster Video](#). How did I make this happen? I emailed a flyer for my product to a VP at Blockbuster, who then referred me to the person responsible for making purchases.

I know cold emailing is considered taboo, but it does work if you do it right. It worked for me countless times. Do your research, be professional, and most importantly be brief!

Hiring independent sales representatives is another great option. Sales reps work on a commission (usually between 5 and 15 percent) so they won't cost you anything unless they make a sale. They also have established relationships with your desired customers which is a huge benefit.

Tradeshows are an excellent way to not only pick up customers but also a manufacturer and sales representatives. You don't necessarily need to exhibit at a show, and you can make lots of connections just by attending.

Another option is open buying events which some larger retailers hold annually. For a fee you are given the opportunity to present your product to their buyers.

Finally, if you think your product would sell well on TV be sure to check out QVC's [Sprouts](#) program.

Getting a new product developed and on the market is a difficult goal. But if you stay focused, get the right help, and work smart, success is possible.

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Download our [FREE checklist \(PDF\)](#) listing all of the costs required to get your new electronic product developed and on the market.



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John Teel is the founder and CEO of Predictable Designs LLC (formerly Teel Engineering), a company which helps entrepreneurs bring new products to market. He was formerly a senior design engineer for Texas Instruments where he created electronic designs now used in millions of portable devices (including some from Apple). He is also a successful entrepreneur who developed his own product, had it manufactured in Asia, and sold in over 500 retail locations in three countries.



Kenny

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This is a very nice article on injection moulding. I like it and have bookmarked it for future reference. It reminds me of Dudley Associates <http://www.dudleyassociates.com> . Keep up with the good work writer.

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