



Book From Concept to Consumer

How to Turn Ideas Into Money

Phil Baker
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Recommendation

Phil Baker has helped many great companies bring cool products to market. He draws on his experiences with Polaroid, Apple, Fuego and numerous others to show you what you must do with your great product idea to make it a success. Baker takes you behind the scenes and tracks how product development has evolved. His most valuable insights include an explanation of why you need partners in Asia, where to look for them, how to select them and how to manage such far-flung relationships. His appendices are excellent, including the “Top 10 Rules for Taking Your Product from Concept to Customer,” a description of the influence of some products on human health and the environment, a list of helpful resources, and a look at "China's impact on the world's manufacturing industries." Whether you are an inventor, a product engineer, an entrepreneur or a business reader interested in the topic, *BooksInShort* recommends this clear, informative, engaging read.

Take-Aways

- A great idea is only about 5% of what you need to make a winning product.
- Listen to your customers, use what they tell you in your marketing and build what they want without cumbersome extras.
- Each of the five phases of product development is fundamental to the success of the next phase.
- The five phases are: concept design, design development, detailed development, preproduction and production.
- Great industrial design tells customers about your product, brand and company.
- Keep only those parts of product development you do best and outsource the rest. Look for a partner in Asia to get your product to market faster and less expensively.
- Don’t waste too much time pursuing patents; the best protection against being copied is getting your next innovation to market quickly.
- Sell through your own Internet store, but also expand by using other Web stores.
- Take responsibility for knowing when to listen to your lawyer and when not to.
- Success is only a stop within the larger journey, so keep working on the next idea.

Summary

Today Ain’t Yesterday

During the 1960s and 1970s, Polaroid was at its market peak. Edwin Land held hundreds of patents and his company found repeated market success turning inventions into photography-related products the public loved. Polaroid fit the model of its time. Big companies produced large quantities of consumer products and durable goods, and sold burnished brands that customers relied on for decades. These firms generated the ideas and did everything themselves: product development,

engineering, manufacturing, warranty work and marketing.

“You learn most about the product after it gets into the hands of the customers. You can guess, debate and hypothesize, but you really don’t know until then.”

This sequential production method no longer works in today’s hyperspecialized global economy, where products can make a worldwide impact and still disappear in a couple of years or even in a few months. Now, companies must conduct product design, manufacturing, planning and marketing development simultaneously. If you analyze all that goes into making a hit product, you’ll see that the initial idea is only about 5% of the mix. You must be able to identify and act on your innovations quickly before someone else develops something similar, and leaves you with nothing but a lost investment and a dead concept.

Act Now

To drive rapid product development, use small teams of five to 10 people. Such teams can gather a sufficient diversity of talent and expertise without creating an encumbering bureaucracy. Get input from real-world customers early in your development process. They will see things that no one on your team will see simply because their perspective is different. Give your customers’ feedback more weight than you give reviewers or your own gee-whiz delight.

“Having a clear and concise description at the outset makes it a lot easier to develop a product.”

You need to become a master at using all the available outside resources. Identify what you do best and turn to experts to handle the aspects of your product you can’t do as well, or could learn to do only after a long, costly development process. Keep your product as simple as possible. Too many add-ons hinder customers who try to use it. For instance, cameras with excess features often cause people to miss shots because they get the settings wrong or can’t prepare the camera quickly enough. Now, get your product to market. Don’t delay because it isn’t ideal. You risk making the perfect the enemy of the good.

Development 101

Product development is a five-phase process:

1. **“Concept design”** – Firm your basic idea into something you can work with; eventually, development will cost hundreds of thousands, or even millions, of dollars, so begin right.
2. **“Design development”** – Set up your engineering team so it can flesh out your concept in nonworking models and “breadboard” designs, and start rudimentary testing.
3. **“Detailed development”** – Continue developing. Bring the product to a nearly finished state, and then test and evaluate its functionality, marketability and viability.
4. **“Preproduction”** – Add what you learned during development and testing to the final design. Determine how you will build the product. Create its final specifications.
5. **“Production”** – Use the tooling and parts you have to build your first run. Evaluate what you can make versus what you intended to build. Draw on what you’ve learned to build the final assembly, and get going.

“Committing the details to words...forces some basic decisions of what’s in and what’s out, what’s important and what’s not.”

Your marketing program needs information, starting with a good product description. Explain how you intend the product to work, what its features are, how it stands up against competing products, how customers can get it serviced, what the market need is, what your market estimates are, what your target price is and what sales volume you project. Don’t buy into rosy scenarios or you will overspend on tooling and parts, and ultimately harm your product’s chances for success.

Getting Your Industrial Design Right

Industrial Design (ID) is a canopy that covers your product’s looks, artistic presence and functionality. Done right, ID lets customers identify and operate your products naturally and consistently. Apple has been a leader in changing the vocabulary of its designs over the years without violating its core design ethos. That’s why you know an iPod the moment you see it. Remember the bright hues and translucent cases Apple used years ago, and note the almost monochromatic finishes with metallic elements it uses today. Every Apple product has a sophisticated polish, and is thinner, lighter and more elegant than its competition. Other well-designed products include Herman Miller’s Aeron chair and OXO’s cheap, fun, big-grip kitchen utensils. Even Dell Computer, a laggard in the ID race, has made strides in developing its own approach to good looks and good function. Get your ID right and you will reap extra marketplace rewards for your brand and your future products.

Yes, You Need an Asian Partner

Today, outsourcing is a reality, whether you want to do it or not. “Companies that produce products for customers who brand, distribute and market them under their own names are called original equipment manufacturers (OEMs) and original design manufacturers (ODMs).” The difference between the two is that OEMs only produce the goods, while ODMs also design them. Sometimes, fierce competitors in a market, like laptops, all buy their gear from the same outsourcer. For example, Taiwan produces 90% of the world’s notebook computers. You can’t make your own and still compete. Taiwan is entrepreneurial and already has a huge infrastructure in place for certain high-tech products.

“Every design decision you make will impact cost. If you’ve established a need to retail your product for \$100, adding \$1 to materials adds \$5 to retail.”

Mainland China is also a center for consumer products, especially handheld electronics. Asia matters to you because getting the right partner there will enable you to get your products to market faster than you can in the West. If you want to produce thousands of electronic units a month, and if you have a mature design, funding and a solid business plan, you can benefit from outsourcing work to Asia. Just be sure you have the time, money and staff to manage activities so far away. For fewer headaches, work with reputable ODMs that have experience with your type of product. Going to the other side of the globe to build your products is easy to justify:

“Find the best manufacturer you can and nurture that relationship directly. Likewise, find the best industrial designer for your product and don’t be influenced by other factors.”

• You’ll get to market more quickly with less red tape than in the U.S. and Europe. • Your Asian partner will have already built something like your product. • The other components you need are manufactured in Asia. • The engineering, support, production and logistics talent is already in Asia. • You’ll save money by making products in Asia, and by shipping from there to global markets.

“The best antidote to your product being copied is speeding your time to market, expanding distribution quickly and working on your next generation product while your competitors are busy copying your old one.”

Select outsourcing companies by looking carefully at what they are making. No matter what they say or promise, their current products represent their experience and talent. Keep your employees close to your Asian partners so they can manage the relationship and ensure that projects run according to plan. Do your own quality and durability testing.

The Marketing Game

Your marketing plan looks at your company, product and customers, and deals with how they combine to sell your product. At every step, respect each of these components, and avoid hype and hard sell. Developing a solid product definition and doing serious market testing takes time. Since marketing must focus on sales success, begin by pinpointing your customers. Use focus groups and industry experts when appropriate. Gather feedback on the Web and through your firm’s Web site. Some companies get valuable know-how by fostering communication with key clients via their corporate Web sites and blogs. Using consumer information as a solid base, position your product with outreach and media tactics that inspire your target customers to buy your product. Support your customers well. One surly support person can undermine all your hard marketing work. Don’t neglect the power of public relations, which is so crucial you may want to hire a specialist. Give your brand a powerful image boost by having neutral media outlets discuss, examine and report on it.

“The foundation of a good [marketing] program consistently begins with an attitude that shows respect for that customer.”

Take time to research your pricing. Don’t lose sales by pricing your product out of its market. Worse yet, avoid building up a huge sales volume only to find that you’ve priced your item below its cost. Manage costs so you can meet your targeted price and earn your targeted profit.

Modern Distribution Opportunities and Issues

Products call for a distinctive mix of distribution channels drawn from four categories:

1. **Physical stores** – Getting your goods to “bricks and mortar” stores will require you to use distributors that have trucks and warehouses. You will have to support them with advertising to create demand. These steps will eat into your profit margin.
2. **Marketing company** – You can become a supplier to a company that specializes in marketing and distribution, and let it deal with logistics and advertising.
3. **The Internet** – You can set up your own site and sell through sites other companies run. Internet sales are increasing and you can find ways to exploit them.
4. **A license sale** – Rather than making, marketing or distributing your product, sell a license to a company that can make it a success and pay you a portion of each unit sold. Licensing contracts can be tricky, so get experienced legal help to protect you in these relationships.

Why Lawyers?

All businesspeople need good legal assistance that is appropriate to their needs. A lawyer’s job is to guard your interests and keep you out of trouble. Your role as an entrepreneur is to identify the right risks to exploit for profit. Your lawyer isn’t necessarily adept at business. Take responsibility for knowing when to heed your attorney’s advice and when to ignore it. Lawyers are extremely valuable in drawing up contracts and structuring agreements among business partners. Engage an attorney who is experienced in the specific kind of contracts, agreements and licenses you need. Remember, each side probably will talk about a win-win contract, but be practical: Draft an agreement that is more along the lines of “heads, I win; tails, you lose.” In the early euphoria of a partnership, you cannot imagine that anything could ever go wrong, but a solid contract will protect you if things sour. If a conflict arises, you want to already have an agreement that specifies how your partnership will handle disputes.

“Contracts...spell out terms and conditions of a relationship, but a small company has little recourse should a large partner change their mind.”

Traditionally, patents have been seen as a bulwark in protecting inventions and intellectual property. But things move fast in modern business, and the U.S. patent process is costly and slow. You might dump tens of thousands of dollars into the quest for a patent and not have one by the time your invention’s life cycle has passed. You might be better off putting that money and effort into getting your next generation product to market while your competitors are copying what you have already released. Even if you have a patent, smart engineers usually can find ways to re-engineer and duplicate your product’s functionality without technically violating your rights.

Piercing Through the Fog to See What’s Coming

Mastery of the little business details that helped you produce a hit product the first time around still matters just as much the second time. Never become so attached to your current offering that you fail to develop the next generation. Listen to your customers and provide the goods they consider vital, rather than wasting your time on what you or your engineers think would be an interesting puzzle to solve. Keep your attention focused on Asia. When the time is right, you probably will need to engage partners there in order to become a global competitor in your category. In fact, you should begin developing relationships with potential Asian partners long before you actually need them, so you don’t get rushed into making a desperate, wrong choice.

“How do we compete? Be more focused on design and marketing of innovative products that customers will want, even if they don’t yet know it.”

Keep your imagination free, and work to create products that will surprise and delight your customers. Every entrepreneur experiences difficulty and failure more often than ease and success. You must enjoy the journey with all its ups and downs to have the strength to endure. Think about the ways your products enrich the lives of your customers, so you can energize your work with attention, passion and tenacity. Success is just a point on an endless journey. Continue innovating, so you can enjoy the next victory.

About the Author

Phil Baker helps leading companies bring technologies to market and works with many Asian firms. He writes a technology column for a San Diego paper.
