Can This Idea Be a Success?

SCORE mentors are often asked by a client, “do you think my idea can turn into a successful business?” I have discussed this topic before, but recently I have been reminded of this common question.

We all observe that every year new successful products hit the market and we commonly see and know about those successful products. While these successful few are the result of effort and focus, these products and many failed products all started with good ideas. I always give my clients a bit of reality advice. As a product innovator, you may believe that all that is required is that good idea but there is so much more required for commercial success.

Commercial success is not defined as a good idea, but as the ability to make a profit on the idea. Your early efforts to bring an idea to market must be focused on answering that key question of “can my idea make money?” For an idea to make money, a sufficient number of customers must be willing to pay a high enough price (when compared to the cost of producing and selling that product).

While this seems obvious to many, this is often overlooked with the product innovator making one of many incorrect assumptions. The incorrect assumptions include:

- Everyone (or a large portion of the people) with the problem that my product addresses will learn about and purchase my product.
- My product will be so wonderful that my customers will pay a price premium for it.
- I can just set up a website and customers will start flocking to it to buy my product.
- Retailers will be willing to accept low margins on my product just to make it available to their customers.
- Manufacturing costs, especially offshore manufacturing, are so low that I will definitely be able to make a profit.

These common but unrealistic assumptions highlight the areas where you must gain clarity to successfully commercialize your idea. The belief that everyone who has a need will purchase your product is, almost universally, very far from the truth. The simple fact of the matter is that most won’t learn about your product at all and only a small portion of those who do learn about it will choose to purchase it.
Your product may be one of the few where consumers believe they MUST have it and are willing to pay almost anything for it. Very few products actually achieve this level of consumer need. In most cases, consumers or the retailers that service those consumers have general expectations of a price when they learn about a product and are often very reluctant to pay significantly more than that amount.

When you are thinking about bringing your idea to market, you can choose to sell to your end customers either through retailers who already service those customers or sell directly to those customers. There are costs for either choice that cannot be overlooked. Retailers have expected margins for all of the products that they sell to their customers. Likewise, direct sales include costs for creating awareness to customers and costs for fulfilling any customer orders.

Lastly, manufacturing costs are often overlooked or not considered until after selling price is determined. Understanding the costs for manufacturing your idea is a critical aspect in ultimately determining your margin.

A good idea is the basis of any commercially successful product but you must take time to understand the number of customers that you may have, the price those customers are willing to pay and the costs for manufacturing and selling your product.

Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/
*Dean is a volunteer SCORE Mentor and Regional Vice President for the North West Region