

Planning helps "product developers" become product producers

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Contributor

Many people dream of manufacturing and selling their own product. Careful planning is a necessity for all start-up ventures. Similarly, careful consideration must go into manufacturing any product--whether it be favorite recipes or a major technological breakthrough. The process of graduating from the kitchen or garage to mass production is often frustrating, very time consuming and invariably expensive, but not impossible.

First and foremost, before an entrepreneur decides to try to manufacture any type of product, he/she must ask, "Is there a market for the product?" Because you like anchovies in your peanut butter sandwich doesn't mean others will. The biggest mistake a "product developer"--the new term for inventor--can make is relying on the biased opinions of family and friends to confirm the marketability of a product.

Market surveys and market research are paramount and required steps prior to manufacturing. Does the world need another product like yours? Is there uniqueness about your product? Can the product be made at a reasonable price? You must do your best to realistically assess market demand. No starry eyes allowed!

If you determine there is sufficient demand, then you must decide how and where the product will be made. Most new products are not made by the original product developer (inventor). Production often is subcontracted to existing firms. Many manufacturers already have factories with excess production capacity, employees, equipment and the expertise to make the new product. This is usually the most economical way to get your product to market, however, if your production process involves intellectual property, proprietary technology or other unique attributes, outsourcing or contract manufacturing could be a much greater problem.

Setting up a manufacturing facility, even a small one, by its very nature is a complex challenge and one that the average person may choose not to do. An example of the complexity of full-scale manufacturing is the many facets of expertise that must be possessed by start-up manufacturing operations--engineering, finance, research and development, sales and marketing, and human resources. If a product developer decides to move into manufacturing, a strong management team is critical to both ensure the efficient operations and to secure outside funding.

Next, extensive financial resources may be needed to pay for a building, equipment, raw material and labor before a product even gets into the marketplace. Funding such a proposition may force the product developer to seek capital from outside his/her own pocketbook.

At this early stage of development, Venture Capital funding is probably not available to help but capital infusion could originate from conventional lending institutions or other sources. Most lenders require at least 20 percent collateral. If the product developer cannot meet collateral obligations, he/she may solicit family, friends, or "angel" capital, but should be ready to give up portions of ownership for that additional funding. Also, many state, county and municipal economic development organizations have programs to support start-up and expansion for manufacturers. These funding programs concentrate on the number of manufacturing jobs that may be created by a project and work in conjunction with conventional lenders.

Finally, fundamental business planning is the key to launching any successful venture. Only the audience, structure and content of the plan may differ slightly. Business plans are a powerful planning tool, but more importantly, they tell the story that sells your business to investors and keeps your business running.

The following suggestions for start-up manufacturers can help to launch a successful venture:

- ◆ Your market analysis must thoroughly identify all direct and indirect competitors.
- ◆ Your organization's management team needs to possess the talents required to successfully run the company.
- ◆ Use no-cost resources available, such as the Small Business Development Center, Alliance for Manufacturing & Technology, Empire State Development, the Centers for Advanced Technology at Binghamton University, chambers of commerce, and your local governmental offices. They are all portals of information and funding with the key objective to serve entrepreneurs.

With an innovative product in mind, market research in hand and a solid business plan, your manufacturing business may well become a reality. Like any small business, however, be prepared to devote time and energy to make your new venture a success. Learn to delegate. Listen to the experts. And, to be a good manager, take advantage of the talent and resources available to you. If everything falls into place, your product could become more popular than peanut butter and anchovy sandwiches

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