Venturing Your Concept

Market and business development 11

The ten links forged to this point will all be for naught unless we have or can develop a market and sell our product. Actually, this chapter could have been first or second in line as it is foolish to reach this point not knowing if we have a market. So my best advice is to have a market in hand before spending a dime on anything beyond developing the concept. And the best way to do that is to have a co-founder who has marketing experience with the projected turf and who has contacts already lined up.

Our product preferably has a value advantage over what is out there now. Cost, quality, and on-time deliveries are perhaps the primary product value considerations. Even more important, relationships with suppliers and customers must be right. What more can be said?

Well, the door may be open but we still must walk through it. With our governance in order, we must develop means to deliver on time, quality better than just good enough, and the price must be right. To do all that, we must develop personal relationships with both customers and suppliers. *Relationships enable the fountains of enterprise.*

I once knew a supplier who "bought" his way in. All went well for a time. The customer flourished and even dumped his prior suppliers. Then the new supplier, in financial trouble, had to raise prices, wiping out his initial advantage. That worked—until a quality problem arose. Such a problem was rare in the industry. But tension mounted to the point where the supplier's CEO got involved. The CEO, not being a marketing person, had little experience dealing with angry customers. When the CEO tried to find fault with his customer's procedures, they showed him the door. The start-up became a "start-down" with his exit. The personality factor was at work once again ruining a business relationship. This happened because companies are like people; each has a personality, usually reflecting that of the CEO.

To be lasting, relationships with customers and suppliers alike must be based on candor and truth, and facilitated by dialogue.

Tip One. Be professional and inclusive:

The cliché that the customer is always right is just that—because customers can be wrong, as suppliers also can be. Handling a customer who is wrong is one of the most delicate of relationship issues.

In the above example, if the CEO had simply asked questions and tried to understand the problem from his customer's point of view, the outcome might have been different. In fact, another supplier in an unrelated quality incident did just that and ended up cementing a solid relationship based on the new level of trust each company developed for the other. One company included their customer in the solution, the other argued—with appropriate results. It pays to empathize with customers and suppliers alike.

Tip Two: Know what you are about in developing your business.

When I was a lad in my teens, a mining promoter hired my father. My father's job was to build a mill to treat the lead ore to be mined from the "Queen of Sheba," a "strike" in the Southern reaches of Death Valley. Some two million dollars later the company made its first shipment. It was also their last. "If only the vein hadn't petered out," the promoter opined. The "mine" had never been evaluated by a geologist or mining engineer. Of course it was doomed from the start. Even though the promoter made a valiant effort, he was still shooting dice in the dark—expecting a bonanza from a "kidney" in an otherwise paper-thin vein of lead ore. This was only my second observation of a business failure.

In spite of his rationalizations, the promoter really didn't know what he was about, and was unable to develop the business. Neither did he seek professional help.

Tip Three: Be credible.

Be sure of your ground; false claims destroy both your integrity and your customer's trust. Once lost, trust may never be recoverable.

Credibility comes from consistent openness with integrity, and being understood both technically and business-wise. I once knew a technical-sales person who was in charge of a particular product line. She was quite rough around the edges in dealing with people. But her customers loved the fact that she stayed in regular touch, never pretended to know things she did not, never promised when she could not deliver, was frank about delivery and quality problems, and kept Marketing and other departments in her company informed. When a down-turn came, her company did much better than the industry average. Her customers appreciated the attentive service. Her credibility and character were more important to them than her rough-around-the-edges personality.

Tip Four: Listen.

Listen to your customer, or be prepared to learn from your mistakes—and ready to eat humble pie.

I used to invent and develop alloys for aircraft and jet engines. I had a couple of wins under my belt and was feeling complacent as Manager of the Metallurgical Research Division. At a metals society meeting, a top Materials Manager in a jet engine group teased me that *I was not listening* to him about the next generation of alloys. I wasn't, because he was asking for properties that I did not believe were needed—and my insights into listening were yet to come. And I did not pursue his request.

A few weeks later, I received a purchase order to melt some alloys for him—to his specifications. I did, happily. Yep, you guessed it—one of his formulations became the next new alloy to be qualified on commercial jet engines, because I hadn't listened. Never mind that it was almost impossible to make on the industrial scale. He got the patent and the product he wanted while I got the headache of taking his alloy out of the lab and learning how to make it. I only saw this man two or three times in my life, but he left me with an indelible imprint and a lesson in listening.

Tip Five: Treat customers and suppliers with respect.

Respect for others is a cornerstone of professionalism.

After I learned my lesson in listening, a supplier came to see me with some ideas about using more of their product in our new alloys. I listened attentively before patiently explaining why the product they supplied would not alloy as they envisioned. But they promptly went home and established an R&D lab to prove their point. We stayed in touch and I visited them whenever the opportunity arose. Although they never qualified an alloy, they remained loyal and good suppliers, partly, they later said, because of my respect for, patience with, and understanding of them.

Tip Six: Know your product but watch your political Ps and Qs.

If you must step on a customer's toe, *be sure Marketing is clued in*. Equally important, *know all about your product*.

In my early days as a research engineer I was asked to study an alloy that had been patented by a colleague. The alloy was to be used in both airframe and engines on a mach-number-rated aircraft. The leading edges were being designed to run hot in flight for thousands of hours. The alloy in question had the lowest density of any heat resistant alloy available at the time. Since every pound saved in structure added a pound to payload there was strong incentive to make the aircraft as light as possible. It seemed like a logical choice.

In all innocence, I worked out how to simulate a long-time flight service environment by short-time tests in the laboratory. Not far into the program, I began to note that the alloy had a tendency to become brittle in my simulated tests. Others in my company knew that, but worked around the problem, expecting it to be solved in due course. After several hundred tests, I confidently constructed a time-temperature “map” of the region where embrittlement occurred. But there seemed no way to prevent embrittlement. During a routine visit to an engine maker, I showed their engineers my new map. They were interested, but I detected nothing unusual in their response. I was more than a little naïve.

As soon as I got home, I had a call from a friend in Marketing. My boss and his boss also got calls from their counterparts in Marketing. It seems that via the grapevine I had induced a panic at an airframe designer. The airframe people were planning to use the alloy as skin material in their latest design—if it became brittle in service, it would kill their design.

The next day my boss three levels up visited and called me to his hotel. Talk about a riot act. For three hours he chewed me out unmercifully. I wondered why, if what I had done was so bad, he didn’t just fire me. That answer came as he dismissed me: He said, “It will be all right—if you are right.” But he obviously had little faith it would turn out that way. He never brought it up again because within a short time both customers had confirmed the brittleness—and neither could find a fix.

The marketing folks were justifiably upset, because this one ran counter to a prior position they had taken on the alloy. They were also taken by surprise—I had not informed them about what I would be taking about to whom—so I had to take the heat.

Tip Seven: Timing must be right.

Most markets have a time window for any new product. What is desired today, may not be wanted, or even needed, tomorrow. I have seen several cases of too little too late. There is no substitute for knowing the real needs of your direct customers (and their consumers) if you want your timing to be right. I know one start-up that folded, because by the time they were ready to go, someone bigger and more agile had beaten them to it. They were not even aware they might have competition.

Timing is most clearly revealed in high tech industries where product lives range from a few months to several years. *Be in line at design time or catch the next plane.*

Most of the foregoing anecdotes happened in big companies. But each carries a message for the new venture. It is critical to: time things right, establish credibility, know your product and market, and know what you are about. And all this will be for naught if you neglect your relationships. And oh yes, *keep all, with a need to know, well-informed.*