Should We Launch? It's Your Call!

The following case study highlights the experience of two recent university graduates have gotten themselves into a business 'mess'. They have been working hard to develop and launch a new product.

But they're now at the stage of making a major dollar investment, and suddenly they're now not so sure it's a still a good idea. They want you to help them decide.

Given the facts below, do you think that they should go ahead and invest?

Two Budding Entrepreneurs

Stirling and Marshall first met when studying marketing at university. Both were ambitious and had plans to run their own businesses. Over time they decided to start a business together. Initially they spent many months discussing what sort of business they should go into.

Obviously, they considered various service businesses, like consulting, business colleges, and various internet-based offerings. However, it was eventually an opportunity in the children's toy market that appeared to have quite good potential.

They had observed that parents were becoming increasingly time-poor and, as a result, had less time to spend with their children. And in order to compensate for this, the parents typically spent large amounts on their children to entertain them. Obvious examples were the success of PlayStations, iPods, PC's, and even mobile phones.

Stirling simply stated: "These are big ticket items. The level of spend on children is dramatically increasing - and this trend should continue. Parents are simply looking for things to keep their children entertained for long periods of time - and the only solution is expensive electronic gadgets. If we can bring some alternative games and toys to the market, then we should fill a large market need and also hit a competitive gap."

Needless to say that Marshall also felt that this was the most viable opportunity that they had so far considered - and hence "S & M Toys" (named after their initials) was born.

Let's do some research?

Having set the direction for the business, the next step was to identify what products they could bring to the market. Not having children of their own, they called upon the expertise of their fellow student Majdi, who was a father of four young children. Through a series of discussions over coffee, various possible ideas were canvassed, such as:

Talking books that teach languages. That is, touch a picture in a book and it says the word in different languages (whichever one you want to learn),

An interactive doll that can actually have conservations with the child. That is, some sort of smart logic that allows it to make sensible responses (somewhat like the 'help' function with software), and

A board game that you can play by yourself (but not on a PC). For example, you play Monopoly against pretend opponents that are built into the 'electronic' circuits of a sophisticated game board.

Although there were probably a few good ideas thrown around, both Stirling and Marshall felt (without doing any formal evaluation) that they really hadn't stumbled across a really strong product concept.

The break-through insight

A few weeks after this first meeting, the S & M team met up with Julia and Thomas, also students from their university classes.

"I like the S & M name", said Thomas, "It's really suitable for the kid's market. It's a sort of a play on M&M's, which is a well-known chocolate. Therefore, you might be able to leverage some sort of connection there, to help launch the brand".

"Yeah, good idea - didn't think of that connection. We might be able to do something with it down the track", said Marshall. Launch plans were one thing, what was lacking now was some strong product concepts, and that's where they thought Julia and Thomas might be able to help.

After discussing their various ideas to date, and highlighting that they just felt that their ideas were just too technical (which was not their expertise), they admitted they were becoming a little concerned whether they could actually take advantage of their chosen opportunity.

"Just an idea", Julia said after a few moments silence, "But aren't most of your ideas targeted at smart kids?"

Stirling and Marshall nodded and told her that they believed that parents would spend more money on 'gifted' children, and even most of the private educational services appeared to be targeted at smarter kids. "But aren't you guys after a gap in the market? Maybe you should look at non-smart kids instead!" said Thomas.

"Look, these aren't the right words, but something like 'simple toys for simple kids' is the right approach", said Julia. They all laughed. It wasn't the right words, but the idea sure seemed right!

After that breakthrough, the group of four quickly went into a productive ad hoc brainstorming session. Some of the ideas generated included:

- Scrabble with extra vowels and zero points for hard letters,
- Table tennis tables with bigger racquets and bigger slower balls, and
- Ugly dolls (to make ugly kids feel beautiful).

Let's NOT roll the dice

However, the one idea that seemed to stand out, as the one to go ahead with was a board game with an electronic dice system. This dice system would be programmable, so that selected players would always get better rolls of the dice. This would mean that the 'selected' child would win more often (rather than parents pretending to lose).

This would, of course, be more fun for the child and they would want to play longer and more often. What was especially exciting about this concept was that it lent itself to a range of board games. So once they had the technology developed, it should be a simple manner to modify the programming for different styles of games.

"OK Stirling, let's get some customer feedback. Let's organize a quick survey. We can do it ourselves and just stop parents, say outside a supermarket store, and say we are doing a survey for uni", said Marshall.

One week later they were in the field with their questionnaire. They did their best to explain their concept as follows:

This board game allows for children of different ages to compete on an equal basis both amongst themselves and against adults.

This is possible because of a simple electronic dice system that will give better dice rolls to selected players.

A total of 5 settings are available, thereby enabling children of different playing ability to have the same, or a better, chance of winning.

After they managed to interview 50 respondents, they decided that they had enough information. It was actually a lot harder getting the interview than they had imagined. They tried to approach people with children, but most said they were too busy, or it was too awkward with the kids running around.

The survey outcomes were quite encouraging. While only 5% said that would definitely buy and 30% said that they would probably buy. The main reasons parents stated for NOT buying the game was that it would be:

- *"unfair",*
- *"cause more fights among the kids",*
- *"too confusing",*
- *"always needing batteries" and*
- *"more fun rolling your own dice".*

But these negatives were ignored, "About 1/3 of parents will buy this game - that's a strong result", they concluded, "Let's move on to the next step".

Making it happen

Their next step was finding a company who could manufacture a system device. Marshall knew someone who could write the software program. Apparently, for a simple 'racing' board game (where the object was to get around the board first), this was a very simple program.

All you would need would be to key in number of players and their individual 'difficulty' level. And provided no-one 'missed-a-turn', the 'weaker' players would get consistently higher numbers on the dice. After a few weeks of phone calls and emails, they finally found a factory in China that could produce the electronic dice system for $3 per unit.

They had already worked out that it would be around $5 per unit to produce a simple 'race' game (with board, pieces, instructions, and box). With import costs, the total unit cost would be somewhere around $10 per unit. That seemed quite good. An 'electronic' style game typically retails for around $50-$60, so there is plenty of margin to cover costs.

What's in a name?

The S & M team now turned their attention to the product launch. They needed a good brand name - it needed to be simple and clearly communicate the game's unique design and benefits. They considered "Handicap" (but thought it wouldn't be politically correct), "Cheater" (considered too negative), and "Bias" (too confusing).

Finally, they agree on "Head Start" - obviously they still had to check whether they could register this name. If that was unavailable, they might just call it the S & M game instead. Once they had the name, they started looking at packaging design, board layout ideas, how to pitch the PR, a list of benefits (for the outside of the box) and so on.

Cold, hard reality!

Things were going pretty well, although a bit slower than anticipated. Then they got an email from the factory in China. They want payment upfront for the electronic dice systems, with a minimum order of 10,000 units. Delivery would then be guaranteed for within two months.

They also realized that the board game supplier would also have similar requirements for minimum orders and payment upfront. That means that they would have an upfront investment to make of around $100,000.

Funny, but even though they had forecasted to make more than that in the first year alone, the thought of spending $100,000 (which they may lose) suddenly made them very nervous. So nervous in fact, that they have turned to you for help.

What do you recommend?

Student Discussion Questions

1. What information do they NOT have that they would probably need?
2. What information do they have that is questionable?
3. What are the reasons suggesting that they should continue and develop/launch?
4. What are the reasons suggesting that they should stop now?
5. Therefore, do you think they should:

   - Continue to launch?
   - Get more information?
   - Forget it/stop?