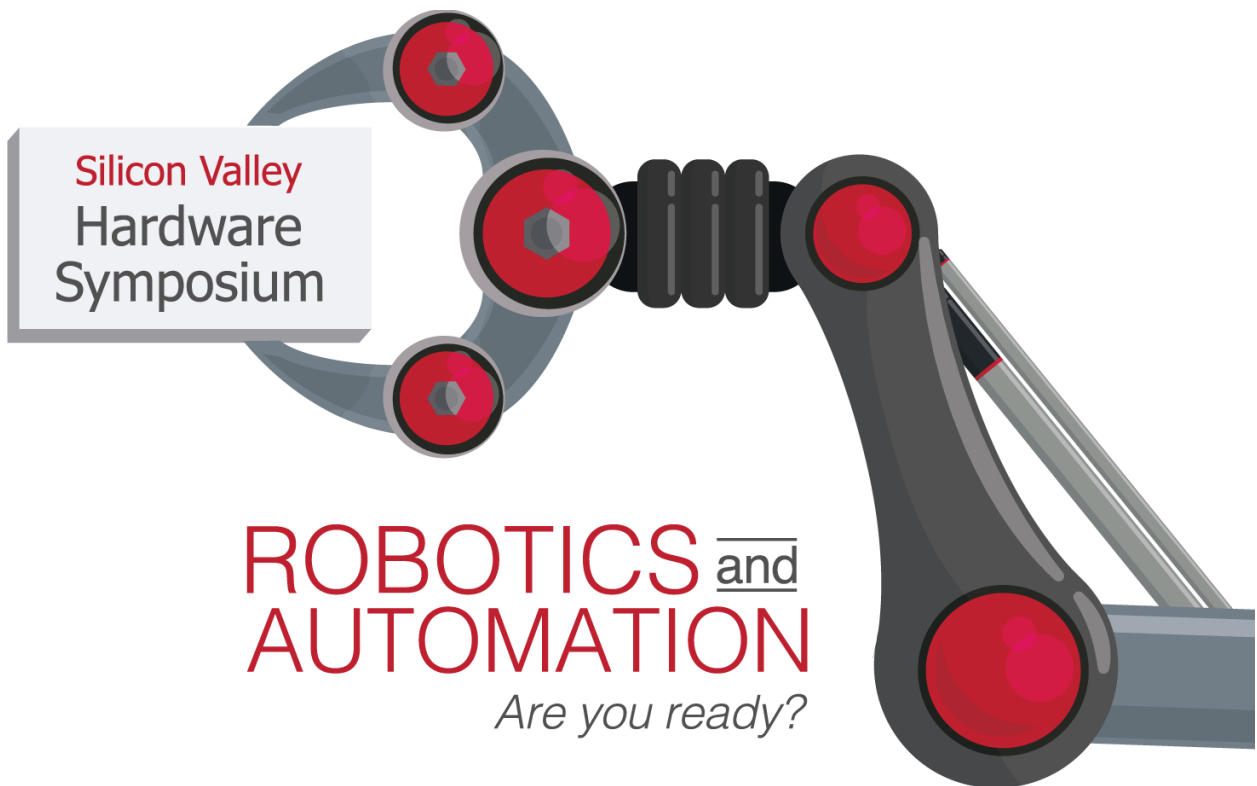


Expert Tips from the 2018 Silicon Valley Hardware Symposium

Part 4



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Silicon Valley Hardware Symposium -- Expert Tips

About Product Realization Group (PRG)

Product Realization Group is an electronic hardware focused project management firm based in Silicon Valley. Our consortium of seasoned experts can help seamlessly transition your electronic hardware product from concept to scale. We pride ourselves on being your go-to source for prototype design and build, operations and manufacturing insights, and marketing consulting. Visit us at:

www.ProductREALIZATIONGroup.com

About the Silicon Valley Hardware Symposium

The SV Hardware Symposium is an annual summit that brings together the best of Silicon Valley's professionals dedicated to the creation of hardware products. Professionals from the areas of product development, user experience, sourcing, engineering, testing, sourcing, manufacturing, and supply chain management come together to keep their fingers on the pulse of the industry, hear from keynote leaders and panelists, and preview breakthrough new products.

The "5 Tips" Series is a collection of accessible wisdom created from subject matter experts at the recent SV Hardware Symposium. The decades of knowledge, lessons learned, pain experienced, and success achieved from experts are being shared here.

5 tips for B2B Supply Chain (Last Mile Operations and Logistics)

Brought to you by: Extron, sales@ExtronInc.com, www.ExtronInc.com

TIP #1: Design your supply chain and reflect that design in your product design.

This is much too important to leave to chance. Think of your supply chain in two parts - component manufacturing (typically globalized) and “Last Mile” solutions (which are typically in-market). This is important for the following reasons, and more: IP protection, tariff protection, risk management, inventory reduction, freight cost reduction.

TIP #2: Remember to consider IP protection in your Supply Chain design

TIP #3 : Think of your supply chain in two parts - component manufacturing (typically globalized) and “Last Mile” solutions (which are typically in-market)

TIP #4: Integrate, as far as possible, final manufacturing and logistics - it is significantly less expensive, and faster too!

5 tips for Retail Channel Development

Brought to you by: AJ Duran Consulting, aaron@ajduran.com www.ajduran.com

TIP #1: Delight your customer with an amazing product experience and value.

You only get one shot for a channel launch for new vendors. Ensure that your product is ready for retail, starting with a great out of box experience and tremendous value. Retailers want return customers, not return products.

TIP #2: Launch products in the channel no later than September.

From Amazon to Zappos and all retailers in between, it takes time to get product on the shelf (virtual or not), lock in holiday traffic drivers, plan for promotions, and gain relevance and reviews for channel success. Retail open to buy dollars and warehouse space is prioritized for top selling products, so you need time for momentum to build.

TIP #3 : Own the last three feet.

Does your packaging explain the “why to buy” on the front of the packaging from 3 feet away on the shelf? And in 3 seconds? All white packaging should remain with the Beatles and Apple. Customers need to know what problem your product solves - and quickly. Do your online product detail pages connect with customers on the tangible features and benefits? With an abundance of options on a virtual shelf, product titles, description, bullets, images and video are more important than ever. Read review and refine content every three months. Brand names may become less important as the amount of detailed product information is learned.

TIP #4: Stay in stock. Stay in stock. Stay in stock.

Advocacy and Allocation. Ensure success with select retailers who can be advocates and allocate inventory accordingly. Any stock outs with partners has a negative effect on your vendor scorecard and buyer metrics. Amazon is open 24 hours a day. 7 days a week. Not to mention the Amazon algorithm that takes into consideration stock outs. I just mentioned it.

TIP #5: Earn a reputation as a company that is easy to do business with.

Treat resellers as partners, and involve the channel early in the launch process so that their input is heard and considered. Know what retailers look for in a product.

- Large volume sales of product
- Positive market recognition of product
- Good shelf presence and image
- Customers looking for product
- Future upgrade or add-on sales increase basket size
- Return of satisfied customers
- No returned product nor defective product
- No technical support issues

Exit gracefully - vendors are not only judged on vendor responsiveness and sales success, but also product transitions and end of life programs.

5 tips for B2C Logistics & Retail Channel Development

Brought to you by: Rush Order | Dana Madlem | dmadlem@rushorder.com | www.rushorder.com

TIP #1: Embrace a multi-channel strategy

E-commerce only represents about 10% of all retail sales in the US, and Amazon already owns half of the online market. There are LOTS of great online and physical storefronts in the US and worldwide to reach your target customers. Develop a thoughtful multi-channel sales strategy early in your product development cycle. The channels you select may have major geographic impacts on logistics, but also product specific details like packaging and pricing.

TIP #2: Understand the difference between sell-in and sell-through

A celebration is well deserved upon receipt of your first large PO from a major retailer. However, it is often said that retailers are great at fulfilling demand, but not generating demand. Work closely with your channel partners to help drive demand and avoid returns. Finding “the right fit” in a channel partners is a great first step. There is nothing worse than a large bulk return from a channel partner many months after the original sale because the fit was bad or the demand simply wasn’t generated.

TIP #3 : Hardware is indeed hard. Returns will happen.

Orchestrate a thoughtful returns management and warranty replacement procedure in advance of your product shipping out to consumers en masse. Customers may be willing to forgive any unexpected issues with your product(s) if they are treated fairly and quickly. Be prepared to collect solid data on customer stated reasons for returns versus bench test results from those returns.

TIP #4 : Build an agile supply chain and operation

New threats and opportunities will emerge. Perhaps your product will take on a subscription element later on. Or, perhaps you will enter a new geographic market to take advantage of a lucrative opportunity. From your manufacturing site to warehouse locations to customer support infrastructure and returns management, all the pieces need to work seamlessly to handle the inevitable pivots your hardware business will endure.

TIP #5 : Sales tax laws are changing

Until recently, your ecommerce sales were only subject to sales tax in the states where you had a “nexus,” which was typically defined by where you have employees, offices or inventory. This recently changed with a Supreme Court ruling that appears to require sales tax collection and remittance in any state in which you ship a “substantial” amount of sales. This will likely impact nearly all ecommerce businesses that ship thousands of dollars of orders per year to any given state.

5 tips for International Expansion

Brought to you by: Munish Gupta, Supply Chain Advisory Group munish@sc-advisory.com
<https://www.sc-advisory.com>

TIP #1: Think of international expansion at same time as US launch

Each new country can bring up to 100% increase in consumers if you target demographics similar to that in the US. Think international early because you might lose first mover advantage as competition comes up with 'me-too' products. International set-up takes time but is worthwhile. Netflix went into 200 countries at the same time, and while it did not do well in 50 countries, it is a great success in 150 countries and the international revenue is more than 50% of Netflix's annual revenues.

TIP #2: Three logistics things to remember for international expansion

1. Have the proper regulatory/environmental certification such as CE, Bluetooth etc. for each new country.
2. Tax entity: It is important to get set up properly for taxation and import. Australia, Canada and EU countries allow the simple tax set up of a nonresident importer.
3. Have adequate logistics infrastructure such as 3PL warehouse, shipping company, customs broker, and the like.

TIP #3 : International tax entity

While countries such as India, China and Japan require the setup of a local tax entity, countries such as Australia, Canada, EU countries allow a simple tax setup called "non-resident importer" (NRI) .

As NRI, there are no income taxes, and the only taxes that you have to pay are VAT/GST taxes. These are "pass through," so your net tax liability is zero. The set up is quite simple.

TIP #4: Distribution Channels

There are different distribution channels for international expansion such as B2C consumers from company website, B2C consumers from marketplaces such as Amazon, and B2B clients such as distributors and retailers.

It is important to think of an all-encompassing expansion strategy right up front so that logistics for the different channels are covered.

TIP #5: Be patient and don't give up if one country doesn't work out

Each country has its own cultural nuances and consumer tastes. If you launch a hardware product in one country and it does not work out, don't give up on international expansion. The same product might be a huge hit in another country.

One company launched in China unsuccessfully but launched the same in Japan with great success.