



Stanford eCorner

Opportunity Recognition and Leveraging One's Experience

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William Sahlman, professor at Harvard Business School, provides an example of opportunity recognition by relating the story of how John Osher, the creator of the Spin Pop, leveraged his experience into a new market--spin toothbrushes. Sahlman highlights how Osher and his team took their experience and applied it in a new setting by proactively searching to identify a gap in the current market that had potential for high profit.



Transcript

But what he is really famous for turns out to be the Spin Pop. And what I want you to do is to think about America: a country so lazy that people need a battery-operated lollipop. Think about that for a moment. You are so lazy you are not going to turn the lollipop. You need a battery. And you all are laughing at this product, but John sold 100 million of these devices. For \$3 million, he had them all manufactured in China, and it was all terrific. Think about that, 100 million. And he sold the company for a very large price to Hasbro. And again, he went off.

And he discovered what we all discovered, that golf sucks. Golf is a short-term kind of a thing where you think you're going to improve, you never do. And he and his team got a little bored, so they said, "Well, what do we know?" They said, "We know small battery-operated electrical motor driven things you can put in your mouth. What do we do? And we have this relationship with a Chinese partner that's been unbelievably productive for both parties, and we know something about distribution. So what should we do, and how should we do it?" And the first thing I want to bring up is, John had written down a list of 16 mistakes, and these he would use at his speeches, "16 mistakes you don't have to make." Now, I know that no one in this crowd has made any of these mistakes. So this is for people who are not represented here. And you can imagine, who made these mistakes? Well, John made these mistakes. And he wrote them down. And he tried to design a company that wouldn't have any of these mistakes. So I've just given you 6 out of the 16.

But it was a very conscious process, about trying to say what's worked and what hasn't worked. We will come back to that theme in a moment. Now, John and his colleagues went to Wal-Mart, and they observed the following. They said, on the one end you have manual toothbrushes. There have been no innovations in manual toothbrushes for 100 years. On the other hand, you have electric toothbrushes. That was the last innovation in the oral care market. But there seems to be some kind of gap between these two, roughly the size of the Grand Canyon. So John thought, what if -- well, no, I'll stuff in two. One other thing, he also noted that Braun, which made electric toothbrushes, seemed to have a profitable replacement business.

How much does these three replacement heads cost? Okay. So the answer is \$32. I want you to tell me what profit margin you think they have. So this is the way to think about it. Whenever you have a business that has a very large profit margin, or very high cost, it becomes a target. And so John took these two things, the gap between the manual toothbrush and the electric, and the fact that people were making huge amounts of money and said, "What if I take the manual toothbrush and the

electric lollipop and created a battery driven toothbrush?"