



Stanford eCorner

Market Size Determines Company Size

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Medtronic, Boston Scientific, and Johnson & Johnson all began as single-product ventures, says Mir Imran, CEO of InCube Labs and serial entrepreneur of medical devices. And while the medical community is rife with single-product ventures, a few of them do go on to become large enterprises offering a suite of products in multiple markets. What sets the bar for each venture? The market viability for each product they produce.



Transcript

How do you build a large company, scale the company yourself rather than selling it? How do you know when you have just a product or a company on your hand? A simple test for that is market size. Are you solving a problem for a large market? If you're, for example, a gastric pacemaker for obesity, that could be a multibillion dollar product if you're successful. An incremental improvement in an existing product, you wouldn't build a company around it or if the market was \$50 million a year, it would be very hard to build a company around that. So market size is really what dictates whether you build a company or treat it as a product that you, perhaps, license. Let's take the case of Medtronic. They're a big company but these companies have become big somewhat accidentally. They were a single-product company for a long time but they were lucky enough to get to a critical mass where they could use that currency or their money and their stock value to acquire other companies and diversify. There are a handful. Boston Scientific grew the same way. J&J started with a single small business.

There are some recent examples that are growing into diversified companies, but the risk there is very high. You have a very high probability. Even if you have successfully developed a product, one hiccup there and you essentially go into shutdown mode because, by then, your monthly expenses are very high. Unless you're bringing in revenue, you can't sustain that very long. So the risks are very high for a single-product company, and that's why you see so few of them turn into the Medtronics of the world or Googles.