

TRIZ POWER TOOLS

Job # 6—Selling or Licensing
Your Offering—June 2013



How to Make Money with Your Ideas

TRIZ Power Tools

Job 6—Selling or Licensing your Offering

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TRIZ Power Tools

The Algorithm

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Introduction

(If you are reading the PDF format—navigate the algorithms with the “Bookmarks” to the left. L1, L2, L3 correspond to levels of the algorithm. The levels are hierarchal; you can go as deeply as required to resolve your problem. Lower levels (L1, L2) have consolidated methods. If you are using the book then use the Table of Contents for the Algorithm)

Prerequisites and Outputs to this book

If you have followed through all of the jobs, you probably have an patented offering that you believe potential customers are willing to pay for. By the end of this book, you should have sold or licensed your patent. Of course, there is no guarantee how much you will make. Patents are notoriously poor indicators of market success. However, if you have followed the jobs closely, you should have a better chance of being profitable than if you have not.

Some people will have no desire to patent, sell or license their offerings, but rather desire to give their life’s work for free public consumption. This may be especially true if the concept helps to solve world problems. This desire is to be applauded. In this case, the next hurdle may be to get the idea before the public eye. Unfortunately, this also requires resources so it may be necessary to generate some income from these or other ideas or find low cost ways to advertise.

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L1-Sell or License the Invention

The Choice is Yours

The decision to sell, license or manufacture the idea comes down to personal goals, interests and the realities of business. Certain types of concepts will be difficult to sell or license. For instance, if you are trying to provide a product or services which will unblock a non-consuming market, it is likely that you will have to manufacture the product or service yourself. This is because most potential licensees or buyers will not want to absorb the perceived risks of new markets. They are usually more interested in obvious improvements to their products or services that they don't have to explain to their customers or product channels. Simple-to-explain ideas usually work better with established businesses.

If you work for a company and your product or service will be used internally, then you should have already made the internal connections by now. It is just as important to sell an idea internally as it is externally. The decision makers will need to see the entire plan and understand everything that you know to this point. If you have followed the processes of these books, you will be much more prepared to answer the hard questions.

If the response of decision makers is negative, then all is not lost. Try to understand the concerns and continue the iterative process of improving the product or service until everyone in the value stream is satisfied.

Selling or Licensing Your Idea

Selling or licensing your idea can be an exhilarating and discouraging experience. Now, you will be dealing with people who have a monetary interest in their own business prospects. They may not be as encouraging as others have been. Potential customers can be manufacturers, distributors or the final user. One way to license your idea is to directly contact a manufacturing organization that makes related products or that has the same vendor base to produce the product.

Most of the time, you will be trying to sell or license your invention from afar. This is difficult since the most effective persuasion usually comes from personal contact. Consequently, the initial stages of selling your idea need to be focused on getting you and your invention in the physical presence of the person that has the authority to make the decision. Most of the information that is passed should have the intent of wetting the appetite. The prospective buyer will have the alternate desire to weed out the good ideas and will be trying to get as much information as possible before a personal sales contact.

One way around this dilemma is to create a sales brochure that tells just enough to get the vision across, but leaves much to the imagination. Another reason to have a sales brochure is that prototypes are often poor tools for creating a vision.

If the prospective buyer is interested, arrange a personal visit to discuss the invention and possible business arrangements. In order to talk freely with the company representatives, it is usually necessary to enter into an agreement which will limit what either or both parties may do with the information that they will exchange. Ask the company representative what they would prefer, an agreement proposed by you or them, and then consider the risks to yourself and your future prospects before signing.

If the company is willing to license the product, it is expected that a business agreement will be entered into. Such agreements can be found through legal consultation or on the web. Modify these to suit your needs.

It is customary to ask for money up front. This money can be applied to the royalties. This is good for two reasons. First, this gives motivation to the manufacturer to make something of the product. Secondly, this gives some money to handle the costs of filing a non-provisional or traditional patent, which can cost several thousand dollars.

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Manufacturing the Offering

Most people who would use the full TRIZ approach described in this book will more likely find themselves licensing their inventions rather than manufacturing them. However, there may be good reason to manufacture the idea instead. First, you may be an inventor that already works for a company which has hired you to develop products. Second, offerings for new markets are rarely embraced by existing manufacturing companies. Incumbent companies are usually more interested in small modifications to existing products. They do not want to take on the additional risks of new markets. Third, you may decide that you can make more money if you manufacture the offering yourself.

If you decide to manufacture the product, there is a strong likelihood that your time to invent will be largely consumed by the day-to-day tasks involved in running a business or manufacturing issues. Coming up with the idea, no matter how much time it took, is usually small in comparison to running a business.

At any rate, whether you decide to manufacture the product or license it, there will usually be a need to “maintain” the invention. As the realities of manufacturing an offering come to light, there will be a multitude of problems to solve. Someone needs to be there to make it work. Most small companies do not have the resources to inventively solve the problems that will ultimately arise. Even if the company has resources, these resources are usually in competition with other business needs. It is often easier for people to say “this will never work” and drop the product without a fair trial. Even if the idea makes it into production, many problems will follow as suppliers learn to reliably produce the product. Remember, you know the most about the invention. It is good business practice to support the invention with free advice and problem solving. You will find that this will open the way for future work if you do not simply leave your invention on their doorstep. The company will know that you are a good source of ideas because you continue to provide support. Be prepared to make this sacrifice.

Warnings about Inventing for Profit

Do not get wrapped up in one idea. You can afford to throw away a few good ones. Because you have learned the material contained in these books, you now have an infinite source of ideas.

Do not throw away good friendships over inventing. When money becomes more important than friendships, your inventing days are probably over. Creativity flourishes in positive atmospheres and narrows in negative ones. Again, you can afford to give away good ideas. There are plenty more where those came from.

Finally, if your licensing/selling model is not working, try new approaches. Find a mentor that can help you with the business side of things. The important thing is to develop a business model that allows you to invent and create cash flow that will empower you with more time and resources to invent.

L1 Method

Step 1: If you are providing for new or non-consuming market then it is unlikely that you will be able to sell or license your idea. Consider manufacturing the product or providing the service yourself.

Step 2: If you wish to sell or license your idea then create a benefit statement which describes your idea in 40 words or less.¹

¹ One Simple Idea by Steven Key—Page 140

Step 3: Develop a one page sales sheet² which describes your product and its advantages.³

Step 4: Develop a Non-Disclosure agreement (NDA)⁴

Step 5: Draft a preliminary licensing or sales contract.

Step 6: Identify companies that may be interested in your product

Step 7: Identify the decision makers and contact them to see if they want the material. (Do not go into detail at this point)

Step 8: Offer to send the sales sheet and make a follow up appointment

Step 9: Follow up at the appointed time.

Step 10: Get protection agreement (Non-Disclosure Agreement) in place

Step 11: Negotiate terms of sale or licensing

Step 12: Get legal people involved to finalize sales or licensing contract.

L2-Create a Benefit Statement⁵

Think of your tag line as an elevator speech. What would you say to someone if you wanted to hook them with only a few words? Your tag-line should describe your idea in 40 words or less. It should be a natural result of all the work to understand the market segment. You should understand them like no other person alive. The problem is usually to compress it into a short description.

L2 Method

Step 1: Describe the function of your product or service and the part of the job that it helps to do.

Step 2: Describe the advantages of your product or service.

Step 3: Create a tag line that describes the idea in 40 words or less.

Step 4: Practice and refine it. Try it out on people that you are not trying to sell to. Watch how they react and adjust accordingly.

² One Simple Idea by Steven Key—Page 140

³ One Simple Idea by Steven Key—Page 140

⁴ One Simple Idea by Steven Key—Page 133

⁵ One Simple Idea by Steven Key—Page 140

L2-Develop a One Page Sales Sheet⁶

The sales sheet describes your product and its advantages. It also provides a picture of your product. Most inventors believe that the prototype will help them to sell their invention. Consequently, they will put some level of effort and cost into building a prototype that they hope will help to sell their invention. There is a lot of risk in doing this. First, you do not know the type of person that is going to be looking at your prototype. Some people will be able to see past the imperfections that will be there and understand the vision of what your idea can be. Others will have no vision. They need to be served up the full-blown invention, complete with packaging and labeling in order to get a vision. Only the perfect prototype can reduce this risk. This may be prohibitive in cost and time. Since you cannot know beforehand who is going to look at your ideas, there is a better tool for accomplishing this task, the sales brochure. Remember who you will be talking to. Usually, this person is from the marketing or management arm of the organization. They are used to looking at brochures and will be impressed that you have gone to this level of effort to sell your idea. You will leave them with the impression that you are concerned with more than just the function of your invention.

Method

Step 1: Take pictures of the prototype or objects with similar shapes in an appropriate setting, such as performing the task.

Step 2: Or, download an image from the computer that is very close. Be careful, these images are usually of much lower quality than one that you can take with a digital camera.

Step 3: Enhance the image with the appropriate software to look like your invention.

Step 4: Add appropriate labeling to the invention. Think of clever branding that may include the company's name that you are hoping to sell the invention to.

Step 5: Make a sales sheet that describes the invention and its advantages. Use the benefit statement of the previous step. Do not describe too much. The purpose is to create interest.

L2-Develop a Non-Disclosure Agreement (NDA)⁷

It is necessary to protect yourself, though it is very rare that a prospective licensee will try to take advantage of you. The name for this device is different from company to company. Most companies already have a boiler plate in place that you can look over and modify if necessary. Also, there are agreements for free download on the internet.

L2 Method

Step 1: Search the internet for a suitable document to protect your intellectual property in the event that one is not readily available through the potential licensee.

⁶ One Simple Idea by Steven Key—Page 144

⁷ One Simple Idea by Steven Key—Page 133

L2-Draft a Preliminary Licensing or Sales Contract

Having a licensing or sales contract already written up helps you to understand the various aspects which must be negotiated. The people that you will be dealing with are used to these types of negotiations so they will be prepared. Negotiations can take a long time.

L2 Method

Step 1: Determine the expected royalties for the industry. Trade associations and experts in the field can help you with this.

Step 2: Determine the up-front earnest money that you will need to finish the patents. This helps you and the business. It helps the business to know that their money is going to something that will ultimately provide them security in producing their product.

Step 3: Write up a preliminary sales or licensing contract. Seek help in putting together this business agreement. Such agreements can be found on the web for free or for a small fee.

L2-Identify Potential Buyers or Licensees

Your work at the store and on the internet will give you some idea of the potential buyers that are out there. Medium sized companies are usually the better bet and are often hungry to capture market share. Potential buyers or licensees are likely to be providing similar products already.

L2 Method

Step 1: Using your notes from store and internet suppliers, identify potential buyers. Do your homework; look for companies that market products similar to your invention, or, manufacturers which will have the right vendor base to manufacture the product. Keep in mind that most companies are willing to take the risk of working with an outside inventor if the product concept is good enough. Remember that the less they have to modify their equipment, the better. Some companies will be willing to move to new markets if the market is already growing rapidly.

L2-Identify and Contact the Decision Makers

Within each company there are certain personnel that have the responsibility of making decisions concerning new product introductions. The people are usually very busy and travel a lot. Sometimes they are in the marketing department, sales or engineering, depending on the structure of the company. There is only marginal value in talking to others in the company as they may have an in with the real decision makers. Sometimes it is difficult to find the decision makers, especially if you need to go through people placed there to protect them.

L2 Method

Step 1: Call the company and ask for the manager of product development. If this person is not available then ask for Engineering or Sales.

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Step 2: Be clear that the person you are talking to is the one that makes the decisions regarding new product offerings.

Step 3: Ask if they want to see an idea that (use your tagline)

Step 4: If the answer is yes, then offer to send them the sales sheet.

Step 5: Schedule a follow-up appointment

Step 6: Follow up at the appointed time

L2-Get the Non-Disclosure Agreement (NDA)⁸ in Place

You are already prepared for this in the event that the company is not ready. Send them your agreement. If this is not suitable then ask to see their agreement. In the end, there may be some slight modifications to their agreement but most company agreements are acceptable.

L2 Method

Before meeting, make sure that the PIA is in place and signed by all parties.

L2-Negotiate the Terms of Sale or Licensing

If you are at this point, then you have finally reached one of the most exciting (and potentially most discouraging) moments of your career in inventing. The process of negotiating the term can be very long and may appear to be stalled. This can occur due to the business cycles of the company. If you are working with several companies, then you have no obligation to wait for any.



L2-Method

Step 1: Follow up with phone call to arrange for a personal meeting. By this time, they will have a better picture of your vision. Be candid and truthful about your claims of what the invention can do. If possible, arrange for a face-to-face visit. It may be appropriate to show a functional prototype during this visit.

Step 2: Visit with the company representative. Work towards signing a business agreement. This may be an outright sale of the invention or an agreement to license the invention. Most companies will work towards an exclusive license. Be cautious of greediness. Ask for royalties that are within the common practice of the industry. Remember that there are more ideas where this idea came from.

Step 3: It is customary to ask for money up-front which the company can apply to future royalties. This ensures that the company has motivation to move forward with the idea and also gives the inventor some capital to work with. If you have not yet filed a regular

⁸ One Simple Idea by Steven Key—Page 133

or traditional patent, this money can be applied to this task. This is a poor man's approach to gaining a traditional patent.

Step 4: Be prepared to assist with the commercialization of the invention. Give whatever help is necessary to overcome manufacturing problems. Remember that if your idea is not easy to manufacture or comes to market poorly, this will affect your royalties. If you give good advice and support, this will deepen your relationship with a company that you may want to do future business with.