

FORGET LICENSING!

PRODUCE IT YOURSELF!

Most Inventors dream of licensing their great ideas to the perfect company and sit back to collect their millions in royalty! This does happen occasionally with an invention that creates a completely new product category and a licensee that has the vision to put their full capital resources behind it.

However, in my experience, this rarely happens. Finding the 'right' company that is interested in your invention is very challenging. The prospective licensee needs to have a licensing program in place with a formal submission process in order. Otherwise, you are wasting your time and opening up the possibility sooner that your idea might be knocked off. Most companies do not work with inventors on licensing deals as they have their own 'in house' designers or depend on overseas factories to be creative for them.

I recently decided to represent a number of inventors as an agent in the housewares and hardware industry to see if I could overcome these challenges, based on my many years of experience with my own product companies and contacts in these markets. I attended the major national trade shows, walking the aisles to find the appropriate licensee partners. I did find a number of parties to discuss the opportunity to license these wonderful inventions. However, despite my intensive follow up calls and emails with a number of potential licensees, no deals got to the serious negotiation stage.

The main objections included:

1. Most inventors have not invested the money to fully engineer their idea with 3D CAD drawings and specifications which are required by any factory to supply quotations on tooling and production costs
2. The invention has not been fully prototyped and working perfectly
3. There have not been any sales of the product in the marketplace to give 'proof of concept' and the prospective licensee a 'comfort level' to proceed
4. Prospective licensees have an aversion to investing a lot of 'risk capital' and time to finish designing, testing and proving your invention

5. They are too busy with other major products they are developing which often are full lines of products rather than a 'one off' invention

It is also important to remember that if you pursue a successful licensing deal, the time line for development stages, tooling and quality control phase, marketing and production can be anywhere from 6 – 18 months before any product is sold. The product sales then needs to ramp up in the marketplace to get placement and sell through to create volume. Royalties are then paid quarterly on sales, usually at a fairly low 3% - 5% of net sales. The company needs to sell a lot of product for you to make any serious income (ie: a 'home run' of \$1 MIL per year will give you \$30,000 - \$50,000 annually....not bad, but not enough to cover most household expenses).

I don't want to sound negative here but want to pass on my experience and insights into the challenges of licensing inventions. I am a very positive, optimistic entrepreneur and pride myself in having 'positive expectancy' in all of my pursuits!

If you want to have the opportunity to see your invention become a real success, ***take control and produce it yourself!*** You will have unlimited income potential, you set the timelines and decide how much money to invest, how hard to push your product and can enjoy the fruits of your labor. You are usually the only person that will really fully understand your invention and put your 'heart and soul' into it!

Yes, it takes capital...and time...and hard work. But I have found that it is worth the journey! I started my first company when I was 17 years old with a \$5,000 investment from my father, producing photographic notecards that started in a 'closet darkroom' in my parent's house! Within 2 years, I was renting an office/warehouse and eventually grew the company to over \$500,000 in annual sales (back in the 70's). My next company was in the 80's when I imported a few designs of pewter bottle stoppers for a 'big investment' of \$10,000. As I slowly got placement in retail stores and expanded the line, I hit my first \$1 MIL in sales after just 5 years and eventually grew to company to over \$5 MIL per year and \$65 MIL over 25 years in business! So it can be done...sometimes slowly with little investment...sometimes longer start up times with larger investments, especially when special tooling is required to produce your products.

If this sounds interesting to you, there are many resources available to support you with the product engineering, sourcing, business planning, funding and marketing. You can find many of them in many LinkedIn groups or in your community. If you would like to talk to me further about how I might be able to support you with my expertise, please feel free to reach out here or through my website at www.dreamproductguru.com.

I hope you are inspired to go forward and make your great invention a big success in the marketplace soon!