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Common Sense Inventing

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Inventors trying to bring products to market definitely find the cards stacked against them. When we started this Network, we expected to find a low "success" rate -- maybe as low as 1 in 100. What we're actually finding is much closer to 1 in 1,000.

The problems are many. Some the inventor has no control over, e.g., the barriers to free and open communication with industry, the scarcity of interested sales and business partners, the scarcity of "real" seed capital, etc. But there's a whole set of problems inventors do have control over -- their own actions.

There's a common-sense order to commercialization. When things are done in the right order, the process "flows". The product still may not "succeed", because of problems outside the inventor's control -- but at least it will be given every chance. When things are done out of order, the effort is generally wasted, and any success will depend primarily on blind luck.

Following are four areas in which we see many inventors trying to do things "backwards".

Skills: First develop them... then invent.

Many of you think that just because you're filled with product ideas, you're an inventor. That's not true! Coming up with lots of new product ideas is part of successful inventing. But only a part. What counts, commercially, is your ability to develop them.

That requires engineering skills. Not necessarily formal engineering training. There are many skilled trades people out there who are better engineers than many college-trained ones.

But what business will pay for is your engineering skills. Your ability to design and develop your ideas. Ideas aren't worth diddley. Ideas are a dime a dozen. It's *products* -- and only products -- that have value.

"But I'm unique. Nobody else comes up with ideas like I do. My ideas could put thousands of people to work. That ought to be valuable..."

First, you're not as unique as you think you are. You're 1 in 100, maybe 1 in

200. How many people do you know well enough to know how creative they are? Likely less than that. So when you look around you, among the people you know, you ARE unique.

But look at it in a larger scale. Let's say you're not 1 in a 100, but 1 in a 1,000. Ten times as rare as you probably really are. In the state of Michigan, population 9 million, there are 9,000 of you. In the U.S., population 250 million, there are 1/4 million of you.

Yes, you're unique. Yes, you're special. But there are a whole lot of people out there as unique and as special.

And they're working on the same ideas you're working on. At any moment in time there are only a finite number of new product opportunities. New product opportunities flow from two sources of change -- changes in technology and changes in people's life styles and perceptions. These changes are readily observable -- visible to anyone in the world who cares to see.

Over the past few years, I've talked with no more than 2-3 thousand of the 9-90 thousand potential inventors just in Michigan. Yet it's common for me to find 3, 4, 5 people all working on the same idea. If I'm finding that many working on a single idea, just in Michigan, consider how many are working on it in the U.S... In the rest of the world...

Now, if that idea is going to result in a commercially-successful product, who do you think's going to pull it off? Obviously, the person with the greater engineering skills. The person who can design and develop the better product!

Your success as an inventor is directly proportional to the quality of your engineering skills. That's may not be the way you wish it was, but that's the way it is.

And that's not all. All we've talked about to this point is Engineering skills.

There are four skills that go into successful products:

- Engineering - the skill to invent and develop new products.
- Manufacturing - the skill to deliver them, consistently and reliably, with quality, service, and price.
- Selling - the skill to sell them.
- Business - the skill to make a profit doing the other three.

All four skills are necessary for a successful product. Neglect even one and that product's going to fail.

Note that these skills apply even if you're just trying to license an invention. The only skill that licensing avoids is Manufacturing (and that's easily avoidable anyway simply by teaming with a good contract manufacturer).

The skills of Selling and Business are just as important to selling inventions as they are to selling products. Without Selling skills, you're not going to sell them. Without Business skills, you're going to get ripped off.

If you don't have all the skills, you have only two choices -- either learn them or find partners that have them.

Ideas: First sell them... then develop them.

This is an area that almost all inventors do backwards -- even many semi-successful ones.

Dammit, people, you don't waste time developing something until you *know* you can sell it. If your goal is to make money, there are only two reasons to put time into developing something.

The best reason is that a manufacturer or marketer is willing to pay you to develop it. You get a combination of fee and royalty. You may lose your royalty if the buyer doesn't do a good job of following through, but at least you have your fee which paid you something for your time. This is the only way the pros -- the really successful inventors -- will work.

The second best reason -- and it's a distant second -- is that you have customers ready to buy it. You don't have a contract. You're doing it on spec. But you've presented your idea to enough prospects -- real-life buyers - - that you know that when you return to them with product, they'll write you an order.

There are no other reasons! If you don't have a customer, the odds are 1,000 to 1 that you're wasting your time.

What you should be doing with that time is looking for customers -- prospects who have problems you can solve.

So why do so many of you continue to do this backwards -- develop first, then try to sell?

One possibility is that you're good at developing. You're not good at selling - - which is what prospecting is. So you spend your time developing -- and come up with every excuse in the book to avoid prospecting. That's fine if you're inventing as a hobby. It sure isn't a way to make money!

Either you have to exercise the self-discipline to get out there and prospect -- or you need to find and team up with a partner who'll do it for you. Someone has to get out there and find buyers. And everything you do before that's done is almost certainly wasted effort.

Another possibility why so many of you continue to do this backward may be because you don't -- or won't -- understand the difference between ideas and inventions.

An idea is just a problem statement. An invention is a solution to that problem -- an implementation, a design.

"I have an idea for a basketball return so people don't have to retrieve the ball when practicing". "I have an idea for a rural mailbox indicator so people can see from the house when the mailman's come". "I have an idea for a flashing light on the front of a house so emergency vehicles can find it quicker".

Those are just ideas -- not inventions. You can't protect ideas. You can't patent them, copyright them, trademark them. You can't even protect them by keeping them a secret. As we noted before, there are several hundred -- probably several thousand -- people around the world already working on the same ideas you are. Ideas have no value -- zero -- *until* they're developed into sellable products.

You can -- and should -- expose your ideas to as many potential customers as humanly possible, as early as possible. You need their feedback to determine whether the product you have in mind is sellable at all, and if so, what features -- including price and cost -- are important.

You don't want -- or need -- to talk about how you're going to do the product. That's your potential invention. That's what you may wish to protect. Just talk about the end result you envision -- the features and benefits of the product that you think will make it sell.

Patents: First learn the law... then use -- occasionally

The most common question I'm asked is, "How do I get a patent"? "Why do you want a patent"? "To protect my great idea".

Almost anything I can say at that point can only end up misleading the person. What I have to say is, "Look. A patent can be a useful business tool - - *if* you understand its use. But that's all that it is -- a *tool*. If you take the time to learn what it is and how to use it, you may make some money from it. If you don't, you almost certainly won't". I'll then recommend some books, especially David Pressman's [Patent It Yourself](#).

Most won't put in the time. Most are looking for the "easy" way. That's why the invention marketing scams are so successful. "Just give me money and I'll take care of all these problems for you."

There is no easy way. Pure and simple. If you want to win in any game, you put in the effort to learn the game. If you don't put in that effort, you're NOT going to win.

This is especially true with patents. If the inventors we've talked with are representative, among those of you who have or are pursuing patents, there's not 1 in 10 who know what you have patented. You've spent, or are spending, several thousand dollars without having the slightest idea of what

you bought. And, from my experience these past few years, what you bought is almost certainly *not* what you think you bought.

Many patent attorneys are -- in my opinion -- ripping off inventors as badly as the invention marketing scams. When I see patents, that someone has paid several thousand dollars for, that a 2-year-old could design around -- with probably a better product -- something's wrong.

But whose fault is that? Unethical, or unprofessional, attorneys -- or gullible inventors looking for the "easy" way. "Just give me money and I'll take care of all your problems".

Another too-frequently-heard statement: "I got a patent and it only cost me \$2,000". Yeah, and a roll of toilet paper costs 20 cents and they're probably of equal value.

A "good" patent should cost you 2-5 times that, depending on what's involved. The patent attorney's in business too. He's got a family to feed just like everyone else. The less he charges, the more patents he has to do to make his living. The more patents he has to do, the less attention he can give each one. And, to some threshold, the less attention he gives, the poorer the patent.

If you want a cheap patent, there are outfits in Washington who'll do them for a couple of hundred dollars. They're worthless -- but so is a lot of the garbage you're paying a couple of grand for now.

When you're dealing with experts -- patent attorneys, business attorneys, accountants, consultants -- the only way you can protect yourself is to know almost as much about the subject (at least as it pertains to you) as the expert. If you don't put in the time and effort to learn -- or partner with someone who has -- you're a sitting duck -- and you're going to get taken.

If you want to use patents, learn the law. If you don't want to learn the law, don't waste your time and money on patents.

Opportunities: First prepare for... then deal.

Despite all the things we see inventors doing backward, a few of you do come to a deal stage. You find someone who's interested, you start negotiating -- and then you blow it.

I'm seeing this happening over and over. I'm seeing more potentially good deals being blown than being made.

It's not your products that are the problem -- it's you. It's not that your product isn't good. It's you deliberately throwing a monkey wrench into the proceedings either through fear or greed.

Let's look at fear. I'm suspecting that some of you just aren't ready to make a

deal. It's been a hobby. You've been having fun. It gives you something to talk about -- maybe gets you some pats on the back and some friendly encouragement.

But all of a sudden it gets real. Somebody's really interested! But that changes the whole scene. You get scared. You start making impossible demands -- and you blow the deal.

When you do that you hurt every inventor in the world. It's antics like that that encourage the image of inventors as flakes. Many people, clubs, agencies around the country spend a lot of time encouraging people to even look at what independent inventors have to offer. And you can blow them away in an instant!

Let's look at greed. It's hard to tell when the problem's fear and when it's greed. The effect's the same -- impossible demands -- a blown deal -- and another lost "buyer". Many inventors have a completely unrealistic view of the value of their work -- by orders of magnitude!

Marketers and manufacturers thinking about a new product look at "probable sales" -- how much they realistically think they can sell. And recognize that they're going to tend to be conservative in their assessment. Wild-eyed optimists don't stay in business very long.

Let's look at how a typical manufacturer looks at a new product. This applies whether the new product is a proposed in-house development or an outside purchase or license. And let's just assume, for round numbers, that probable sales are \$1 million at retail.

Now the manufacturer's sales are going to be no better than half that, say \$500,000. The manufacturer's profit on those sales, figuring a nominal rate of about 8%, is going to be about \$40,000. The inventor's fair share of those profits is about 25%, or about \$10,000 in expected royalties. In a buy-out, it's worth maybe half that, or \$5,000.

So... For every \$1 million in retail sales, your realistic expectation under a license is in the order of \$10,000 in royalties, or \$5,000 in buy-out.

Seldom do we see products with probable sales greater than \$10 million. That's a significant product for any small or medium-sized business. But even that product is worth *max* \$50,000 to them -- and that's if the product is fully developed and ready to go. If they have to put additional engineering work into it, those costs have to come out of that \$50,000.

Yet we see inventors expecting \$500,000 for a product whose probable sales are at best a couple of million. Their expectations are off by a factor of 50! They may have an excellent product -- but it's never going to see the market -- at least with them involved.

Wonder why products get "stolen"? Look at this situation thru a

manufacturers eyes. Here's a good product. The manufacturer's excited about it. The inventor's impossible to deal with. It's awfully tempting for the manufacturer to just go and develop it himself. Now if he does, is that the manufacturer's fault -- or the inventor's fault? The answer's not nearly as clear as it is to the inventor who feels he's been ripped off.

Keep in mind, also, that you get only so many opportunities to make a deal. You hope for even one! If you get more than one, you can consider yourself very lucky.

Opportunities are rare. You can't *make* them happen. All you can do is get out and hustle and *hope* that that improves your odds.

If you want *any* chance of success, you have to make every opportunity count. And you do that by preparing for it. By looking at what you're offering thru the manufacturer's eyes -- understanding his situation, his problems. And tailoring what you offer to his needs.

Don't approach the opportunity as you selling something to him. Approach it from the view of the two of you working together to get a successful product to market in a way that will make money for both of you.

Remember those skills we mentioned earlier. Make sure they're covered -- each of you doing what you do best -- and work together to find ways to cover the areas that neither of you are strong at.

Approach your opportunities as a joint venture where the joint goal is a successful product, and the money will take care of itself. Approach your opportunities with dollar signs in your eyes, and you're going to blow every one of them.

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