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Screening Ideas

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This is addressed primarily to inventors. Its theme is don't spend money unnecessarily. The old saw, "You have to spend money to make money", is extremely dangerous to those not skilled in business. The better saying is, "The way to make money is to not lose what you have".

We're seeing far too many inventors rushing off to a patent attorney with their first idea. If you want a patent to hang on the wall and you have an unneeded \$5,000 laying around, fine -- but that's not the way to make money. The odds are at least 100 to 1 against you, i.e., you have at best a 1% chance of getting that money back -- let alone make a profit.

The way (for an inventor) to make money is to go find a customer with a problem, solve it, and sell him the solution.

"But I have a solution to a problem that everybody has."

You don't sell to "everybody" -- you sell to people. Go ask some people whether they'd buy it -- and not your next door neighbor.

You have a sporting goods product? Go to a few sporting goods stores and ask the buyer, "If you had a product that does such-and-such (whatever benefits you perceived when you came up with the idea in the first place), would you buy it?" If you expect it to sell through retail, ask the retailer, not the end user.

Then "At what price?". The product will have to be manufactured at 1/4 to 1/6 of the retail price. Get a feeling for whether that's in the cards.

Then "What reps that call on you carry this kind of product?". And go talk with the reps and ask the same kinds of questions.

Now you have at least some objective notion of whether the thing might sell, and you know at what cost you have to bring it in at. If you're honest with yourself, this alone will screen out 90-95% of your ideas. You've spent some time -- but, importantly, no money.

This applies whether you're intending to manufacture or license. If a potential customer doesn't get excited about the possibilities of buying from you, it's not likely they'll get excited about buying from anyone else.

For ideas that get through this screen, ask yourself, "Do I have the sales and business skills necessary to put this across?" Carrying it half way (or even most of the way) doesn't count. You'll have spent money, but there'll be no return (at least no profit) until the end, i.e., until the product is actually selling in the marketplace.

Again, this applies whether you're intending to manufacture or license. It's just as hard, maybe harder, to negotiate and sell a license than to start a business.

If you don't have the sales and business skills, and are unable or don't want to learn them, you have two choices -- hire them or find a partner who has them.

Under the principle. "don't spend money unnecessarily", first choice is to find a partner.

How do you find a partner? You get out to meetings and events where you'd expect to find the type of partners you're looking for -- trade association meetings, Chamber of Commerce meetings, the Enterprise Forums...

For example, if you're looking for a partner with selling skills, see if there's an active manufacturers rep association meeting in your area. If there is, ask if you can sit in on one of their meetings to get a better feeling for how their business works. And when you attend, make a concerted effort to mix and mingle. Try to meet everyone there. Get them to talk about what they do and the problems they encounter -- and tell them a little about yourself and your interests.

For those you seem to have a little rapport with, stay in touch. Call them occasionally with a question. Offer to help them with a task or expertise when appropriate. In other words, build *relationships*. If you do this well in advance of the need, when the need becomes real, you'll have some choices - - and the experiential knowledge to make some reasonable choices.

If you insist on waiting until the last minute and *hiring* the missing skills, recognize there's a good possibility you're going to get burned -- more likely because of mis-communication than dishonesty, but the effect's the same.

Look for people who are willing to break their work down into small quantifiable tasks costing no more than what you're willing to write-off to education.

Be very careful with contracts. Take the time to ask yourself, "What are my options if the other party doesn't perform?". *The Termination clause is the most important clause in any contract.*

Don't expect a contract with no risk. Every business transaction involves risk. Just try to negotiate an equitable division of benefits and risks. And, to the maximum extent possible, make your risk loss of time and effort -- not

loss of money.

Keep in mind -- the best way to make money is to not lose what you already have.

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