How to Commercialize Your Idea
Proactive & take initiative
IS THIS YOU?

High tolerance for risk

Highly disciplined

Highly motivated & ambitious

Leadership, planning & management skills

YOU COULD BE AN ENTREPRENEUR!

Willing to fail & learn from mistakes
Roadmap to Commercialization

Great businesses start by solving a customer problem that has a big and monetizable pain point! To be successful you must be customer centric and learn to change and adapt as fast as the market.

Capture your ideas in a business plan where you lay out the problem or opportunity, size of market, your solution and how it compares to the competition. Include your business model for making money, your tactics for sales, marketing, operations, and distribution. Include a 5 year operations/financial forecast, your current status, and milestones for acquiring customers and raising money. Don’t forget to mention how you will protect your intellectual property.

Plan, research, and look at your ideas critically

The real value of creating a business plan lies in the process of researching and thinking about your business in a systematic way. And many funding sources require one! Plan, research, and look at your ideas critically. While it takes time now, it will avoid costly and perhaps disastrous mistakes later!
Intellectual Property (IP)

IP is defined as knowledge, creative ideas, or expressions of the human mind that have commercial value and are protectable under copyright, patent, service mark, trademark, or trade secret laws.

IP includes:
- Brand names
- Discoveries
- Formulas
- Inventions
- Knowledge
- Registered designs
- Software
- Works of artistic, literary or musical nature.

Non-Disclosure Agreement (NDA)

- With any public disclosure (such as a publication) you lose international rights to patent immediately & lose U.S. rights after 1 year.
- Signing an NDA before a discussion with someone avoids creating a public disclosure situation.
- Most Venture Capitalists (VCs) and some others may not be willing to sign an NDA. Make certain that patents have been filed beforehand and disclose only what is essential.
Intellectual Property (IP)

Four types of intangible rights can protect products of human intelligence & creation. The IP should be clearly marked:

- **Patents protect inventions.** Patentability test: it must be useful, new & non-obvious. Identify patented products or services with United States Patent & Trade Office (USPTO) issued application or patent number.

- **Trademarks (™)** are words, symbols, or devices used to distinguish one’s goods or services. Both goods & services federally registered with the USPTO use an ® symbol. They include slogans, colors, shapes, sounds, smells, trade dress & configurations. Service marks can be distinguished by SM instead of TM.

- **Copyrights (©)** protect author rights without providing protection for the idea itself. What is protected must be in a fixed, tangible medium. Others can use the idea but not the specific expression. Copyrights are also commonly used for software.

- **Trade secrets** are information that provide a competitive advantage—if kept secret!

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**File Trademarks for Product & Company Names**

- Choose catchy & brandable names not already registered or likely to cause confusion (to avoid a trademark infringement lawsuit).

- Research names online at website registration sites like GoDaddy & at USPTO. Keep records of notes & search results.

Always use SM and TM with the name to claim it. Use ® if registered with the USPTO. Trademarks can also be registered with the state. Some states require public use before filing. Trademarks must be used in interstate commerce first before they can be registered.
Marketing Mix

Key questions:

- What are you going to make and sell, or service?
- Who is your intended customer?
- Are you meeting an unmet need?
- Who are your competitors?
- Are you free to operate? Consider existing patents!
- What are the barriers to entry for competitors?
- How are you differentiated from the competition?
- What is the market’s size and growth rate?
- What is the product, service, and pricing strategy?

"Answers are key to locking in best position and product to take to market"
Marketing Mix

Continually evaluate strategy to maximize results!

Product
Create great products that offer great value. Decide upon quality, design, features, brand name, and packaging.

Reserve web addresses related to your product, brand names and concepts.

Placement
Analyze marketing channels, location, coverage, assortment, size of inventory and logistics of getting it to the customer. Be a reliable vendor with excellent customer service.

Price
Determine pricing mechanisms, including discounts, payment terms, and credit terms. Know who the most likely competitors are and watch them carefully. Potential danger: competitors with better quality or margins. Be generous, make friends in the industry and build your competitive intelligence.

Promotion
Consider types of advertising, personal selling, sales promotions, and public relations for your firm. Target your advertising: for example, for trade shows and publications.
Some Sources of Funds

Bootstrapping
Financing with your own funds allows you to retain complete control & ownership, and to work on your idea while holding a regular job.

Friends, Family & Fools
Money in form of a loan or in exchange for equity. Legal advice is practical to avoid misunderstandings.

Business Plan Competitions
Pitch your business plan to judges who award cash prizes & in-kind services.

Bank Loans
A banker will want to see financial statements for you & your business & require collateral to secure the loan. The bank sets a fixed period for the loan (ex: 3, 5 or 10 years), rate of interest, & repayment amount.

SBA Loans
Various Small Business Administration programs are operated by local banks, credit unions, or non-profit financial intermediaries.

SBIR/STTR
Federal agencies have Research & Development grants for their areas of interest.

Angel Investors
Affluent individuals can provide capital in exchange for equity ownership or convertible debt in a start-up business.

University/State Funds
Many have programs available.

Venture Capitalists
VCs provide capital for start-ups or expansions. They are looking for a higher rate of return than from more traditional investments. Typically, the range of funds invested is $500,000 to $10 million.

Crowdfunding
A defined amount of money is raised from interested parties in exchange for various types of compensation. Various equity, rewards, donation, or lending-based internet sites are available.
Presenting Persuasive Financials

Your 5-year financial projections should reflect your revenue assumptions about what drives sales. Use market size and potential share to check feasibility. Incorporate sales, distribution channels, markets, and anticipated expenses. Note that sales lag marketing efforts. Investors expect to see:

1. Profit & Loss (Income) Statement
   Generally includes revenue, production costs, sales, administration and research costs (SARs) and net income.

2. Cash Flow Statement
   Cash flow is crucial to an entity’s survival. Allow enough Working Capital to cover monthly expenses and pay creditors, employees, and others on time. An insolvent business does not have enough cash to support its operations, and it becomes a likely candidate for bankruptcy.

3. A Balance Sheet
   A snapshot of your business financials. It includes assets, liabilities and net worth. Net Worth = all Assets — all Liabilities.

4. Valuation of Company
   One valuation method uses discounted cash flow analysis. It can be calculated with an NPV excel function using 5-year cash flow values and a discount rate (35%, 50%, or 80% rate is common for start-ups).

“Look forward five years to project potential revenue and profitability"
Key Elements of a Business Plan

An Executive Summary
Written last as 1-2 page summary of plan & may be all that is read by busy investors.

Business Overview
Overview of foundational idea or problem being solved. Type of legal formation. Location. Mission & Vision.

Market & Competitive Analysis
Clearly define your market. WHO are your customers & your direct & indirect competitors? What are your competitive advantages?

Sales & Marketing Strategy
Define HOW you plan to sell to your customer (Product, Price, Place and Promotion), including the channels of distribution. Are you advertising to the general public (Business to Consumer: B to C) or to business (Business to Business: B to B)? Will you have a sales force? What is the Unique Selling Proposition (benefit) you are selling?

Organization & Management
Include biographies of key team members and an organizational chart showing key responsibilities.

Operations
Specifics on Location, Logistics & Manufacturing detail, and whether any part of process is outsourced.

Risk Analysis and Mitigation
Analyze in terms of internal Strengths & Weaknesses and external Opportunities & Threats (SWOT).

Financial Plan
Show start-up expenses & 5 years of financial projections using Profit & Loss, Cash Flow, and Balance Sheet statements. Describe important features & assumptions. Include key milestones.

Investor Request & Exit Strategy
What are you asking for & when should the investor expect a Return on Investment (ROI) or liquidation event?
Other Key Start-up Activities:

- Consult an Attorney on IP, HR, & Corporate law
- Open a Business Bank Account
- Purchase Insurance
- Plan for Taxes:
  - Federal (Apply for EIN #)
  - State (Texas: Franchise tax)
  - Income (none in Texas)
  - Employment
- Register at SAM.gov & Grants.gov (for federal contracts)
- Choose & Register Business Name & Internet Address
- Consult a Certified Public Accountant
- Investigate Operating Licenses

Types of Company Formations

<table>
<thead>
<tr>
<th>Management</th>
<th>Liability</th>
<th>Ability to Raise Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inc.</strong></td>
<td>Managed by directors &amp; officers; generally limited shareholder participation</td>
<td>Owners have limited personal liability for debts &amp; obligations of company</td>
</tr>
<tr>
<td><strong>LLC</strong></td>
<td>Flexible - members may directly manage company or elect managers</td>
<td>Owners have limited personal liability for debts &amp; obligations of company</td>
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More Information Available at www.creie.utep.edu

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