Notes for Stephen Key’s “One Simple Idea”

● What is licensing?
  ○ Renting your idea to a company
  ○ Allows you to bring your idea to market very quickly
  ○ You’re doing the company a service by showing them how to make more money
    ▪ The company takes all the risk and does all the heavy lifting (they’re working for you, not the other way around)
  ○ New way of working as an entrepreneur
    ▪ The old way was starting a business to raise money
    ▪ The theme of licensing: everyone is working for you

● What is open innovation?
  ○ Companies open their doors to outside freelancers with new ideas
    ▪ Why?
      ● Cheaper to pay someone from the outside than to hire a new employee
      ● No salary, health insurance, and lowers R&D costs
    ▪ Companies will only pay if they like the idea
    ▪ In order to be competitive, most companies are open to new ideas
    ▪ Most company websites list the types of they are looking for

● How to come up with a good idea
  ○ Don’t think outside the box — think next to it!
    ▪ Small improvements on existing products are easy to implement
      ● No risk, easy to market quickly
      ● Huge ideas take time, money, education
  ○ Not all ideas win
    ▪ It’s a numbers game
    ▪ If your idea flops, don’t worry. Move on to the next one!
  ○ Characteristics of a winning idea
    ▪ The idea has a little bit of a “wow” (has to be clever/a little bit of magic)
    ▪ Solves a common problem
    ▪ Large market
- Common production methods
  - If you can’t think of an idea, contact a company
    - Ask what types of new ideas they’re looking for and what types of problems they are facing

- What if you lack creativity for designing a new idea
  - Become a project manager and represent a group of creative, design school students.
  - Contact a company to find out what they need and relay that information back to your designers.
  - Designers do the work and you connect that idea to the company as a licensing expert.

- 3 ways to generate great wealth
  - Find a job that doesn't require your hands
  - Find a job that doesn't require your presence
  - Make sure job has a "multiplying effect."
    - When you license and have companies working for you, it's the ultimate multiplying effect.
    - Increases your chance of success.

- How to protect your ideas from being stolen
  - Keep an Inventor's Journal
    - As easy as a simple composition book.
    - Make sure you can't tear the pages out.
    - Write your ideas in ink.
    - Easiest and cheapest method.
  - File a Provisional Patent Application (PPA)
    - Can file it yourself for $110.
    - Allows you to put "patent pending" on your idea for one year.
    - Allows you to test the market.
    - Levels the playing field so that you don't have to worry your idea will be stolen.
  - Follow up all calls to the company with an email
    - Leaves a paper trail
  - Don't worry! Companies are very fair.
    - It's bad business to steal an idea.
    - They know you can communicate with 10 million people via the Internet if they try to scam you (a PR nightmare!).
    - Companies should be more afraid of you, than you are of them.

- Taking the risk away
  - Create a sell sheet
    - In 5 seconds, you should be able to communicate what your product is from this brief advertisement.
Emotionally, be able to summarize your idea into a one line sentence.
  ● Why should anyone care about your idea?

Show a picture of your product.
Include your contact information.
  ○ Understand if your product can be manufactured and at what price point.
    ■ Contact a trade association for a list of contract manufacturers.
      ● Every industry has a trade association, an "umbrella company" for the entire industry.
    ■ Contact the contract manufacturer and ask for someone in sales.
    ■ Ask a quote for your product to be manufactured and sold.
  ○ Don't quit your day job!
    ■ This can be done in your spare time
    ■ If you're passionate about your invention, it won't feel like work at all.

Negotiating royalty rates
  ○ 5% average, anywhere from 3% to 10%
  ○ Understand the business.
    ■ Ask how many stores their products are currently sold in.
    ■ Create a matrix knowing how many stores they have, estimate 1 product being sold per week at each store, then calculate the royalty rate they are offering you.
  ○ Remember, royalty rate comes off the wholesale price
  ○ Never negotiate on the phone.
    ■ Take your time and do your research.
    ■ Find someone with a little more experience who can help you.
    ■ Call them back when you are comfortable.
  ○ If you can walk away from a deal, you'll get the best deal in the world.
    ■ You can afford to do this by talking to multiple companies.
    ■ If a company likes your idea, they will chase you

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