

Industry Forum: The Designer's Perspective

By: *Guest Contributor*

Long Live the King: The Changing Tides of Licensing vs. Self-Producing

by Matt Nuccio, president of Design Edge

If you asked me only a few years ago if inventors should license their concept or self-produce it, I would have given you a quick reply praising the upsides of licensing and heeding tales of the doomed self-producer.

I'd tell you stories of people second mortgaging their homes to finance the production of their inventions only to still have a garage full of their inventions three years later. The pitfalls of self-production then were many and everywhere. Although the royalty income streams were often low, your downside was limited, too. What has changed between then and now? Direct access to market.

A decade ago the brick-and-mortar retail landscape was a structural hierarchy that was seemingly controlled by a few. It appeared that if startups wanted to bring a product to market themselves, they needed to somehow gain entry into the preverbal boys' club. This club seemed to be closed to the outside world with one exception: licensing. If you had an idea, you could contact an agent or a company directly, pitch your concept, and hope the inventor relations appointee would run your concept up the corporate ladder for the go-ahead from the top. Companies would see dozens, if not thousands, of ideas each year, cherry-picking the "best of the best" for their company portfolio.

This process seemed effective and when and if your invention made it to market you felt that you had success simply because you got it there. But the reason your product made it there wasn't always because corporate saw an opportunity to hit a home run. It was generally selected simply to feed the retail beast.

Corporations, then as is now, have relations with retailers. Like all relationships, some are stronger than others. To maintain those relationships companies will throw concepts against the wall. Many times they would agree to run exclusive content to only have base hits, often leaving inventors with a pittance of a royalty.

Let's fast forward to today. The landscape has changed dramatically. Brick and mortar, which is still a powerful channel of distribution, is no longer the only player in town. More and more companies are selling direct to the consumer online. It is that direct sales approach that has allowed inventors to transcend into entrepreneurs.

At Design Edge, we have watched as startups that would have been unable to open any doors a decade ago, now turn profit within a few months of launching. You might think this is the foreseeable death of brick and mortar, but probably not.

More and more brick-and-mortar retailers are watching the online trends, and if a product is trending, finding a sales rep or distributor to open the door to brick and mortar is achievable. While the investment to achieve success is higher than simply inventing and licensing your concept, the downside is far lower than it once was.

Today, a startup is no longer rolling the dice and praying. There is now a clear path to the end-consumer that is reachable. Today, the only true barriers to success is whether or not your product is good enough for a consumer to like it and buy it.

If you have a great concept and you create quality product for a good price, your chances for success are multiplied tenfold. We are truly entering the age where product is king. Long live the king!

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