

The ABCs of Funding

ESSENTIAL CONSIDERATIONS WHEN LOOKING FOR VENTURE CAPITALISTS **BY LAWRENCE J. UDELL**

IN TODAY'S economic climate, with or without COVID-19, I hear the same question: "Where can I find investors or venture capitalists?"

Before you as the inventor can ask this important question, you had better be prepared. In the simplest of terms:

- Have you filed for a patent, or at least a provisional patent application?
- Have you visited a patent depository library for assistance?
- Have you conducted a patent search?
- Have you done any extensive market research?
- How much of your own money—cash, not time—have you invested?
- Do you have a business plan with financials and projections?
- Have you built a prototype that works?
- What have you done to validate the product and potentials?
- To whom have you shown this?
- What value have you placed on it?

Be realistic and honest with yourself.

VC is on a higher plane

Do not even consider venture capital unless you have experience and a qualified management team with credentials. From my 60-plus years of working with and guiding inventors on the path to success, I estimate that about 1 in 1,000 is even qualified or prepared to meet with a venture capitalist.

You will likely need a personal introduction: Money managers do not open their doors to anyone with an idea, invention or whatever unless they know in advance who is calling and the specific reason. If you have a track record and are known for previous startups, the doors may be open.

Besides, VCs are usually looking for investment opportunities requiring millions of dollars, not the \$50,000 or \$100,000 you think you need. How much do you need—and when it's gone, how much more?

Therefore, in-depth research is required so you can put together an extensive financial projection. Every time you go back to the funding well, you lose more control and ownership in your company and its product.

Finances and more

Once you have either a working prototype or drawings with description, and after you have done your homework to see what it will cost to produce and also to package it, do your financial projections based on market statistics.

Don't project based on what you think it will or should sell for but actual calculations between the cost of the finished product, the cost of distribution and the retail price for which it will sell. Then start to assemble your promotional package of a brief description of the business.

This will become your executive summary, which will hopefully become details of your business plan.

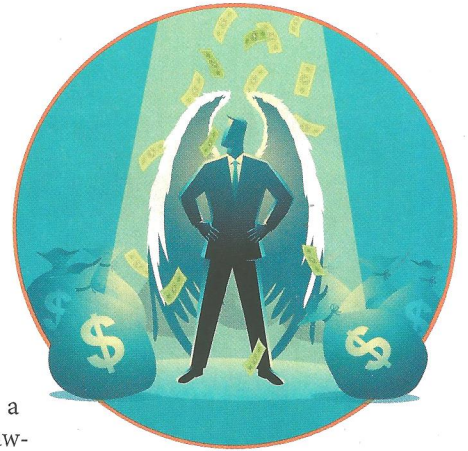
I always advise inventors to seek out who they know—maybe your accountant to help with the financials, or perhaps your patent attorney or family adviser. And it is interesting that all the very successful and wealthy inventors in my life were both humble and willing to accept constructive criticism.

In summary, if you believe that money in the form of funding is what you need to be successful, consider this question: "Would I personally reach into my pocket and invest in what I am proposing?"

Other simple but important questions: Who is the competition? How long have they been in the business? Why is your product better than theirs? What will be the advantages of your product, if any?

How big is the market? And last, but not least—what are your projections for sales and profits?

And perhaps if you have done all that is required: Should I consider licensing rather than go into the business? See my recent article, "Basics of a Licensing Deal," in the May 2020 *Inventors Digest*. ☐



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