

Turning IP into Products



S.I.Partners

or... how to
get paid for
your ideas
and advice.

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Turning IP into Products.

Introduction

What we do

S.I.Partners advises marketing services businesses on the creation and realisation of value through insight and behavioural change.

Only by changing people's behaviour is it possible to improve the performance of your business and increase its value.

Why IP?

When S.I.Partners was asked to conduct a series of seminars for the AAR, we first conducted a survey of agency CEOs / MDs / Partners to find out what issues were most important to them.

From a shortlist of six topics, the most popular was Talent (see the first booklet in this series, *Understanding & Managing Talent*), followed closely by the question of how to get paid for ideas and advice.

To be fairly rewarded for our ideas we need to turn them into tangible, valuable products.

We call this Turning IP into Products.

What to expect from this booklet

This booklet will explain how to become less reliant on commodities (coal) and how to develop more valuable intellectual products (diamonds).

Through the quality and confidence of your offer, you can develop an IP reputation that will build value in your business.

As with many things in life, the theory is sometimes easier than the practice. In our experience, the hardest part – changing people's behaviour – is also the most important.

S.I.Partners has a great deal of experience in helping marketing services businesses to make the changes necessary to improve business performance and value.

If you would like to discuss how we could help you, please call Charles Fallon on +44 7970 409 268 or email: charles@sipartners.co.uk.



The value we bring to the client.

What is Intellectual Property?

We asked our seminar delegates what Intellectual Property (IP) meant to them and their agencies. Here is a selection of their responses:

What is IP?

- *"How to monetize ideas and talent"*
- *"Proprietary tools, e.g. marketing planning tools, brainstorming tools, ROI modelling tools, CRM/eCRM tools"*
- *"It's the value we bring to the client above and beyond man hours spent on the account"*

Dictionary definition: *A creation of the intellect that has a commercial value.*

What IP does your agency own?

- *"Our own brand thinking and people"*
- *"One creative property under licence"*
- *"...all IP in work done by employees until paid for in full by clients... Some IP reverts to us after expiry of client contracts."*

How do you protect your IP?

- *"Through old-fashioned contractual agreements"*
- *"...a lot is bound up in the individuals in the agency. We're less concerned by legal protection than we are by the continued provision of value we deliver to our clients, which make them want to keep working with us."*

How do you price your products?

- Most delegates priced IP on time and project fees.
- 35% of delegates indicated an element of value based pricing – or Payment By Results (PBR).
- Delegates indicated PBR metrics were hard to measure and agree.
- Two respondents had entered into licence agreements with clients.



Imitation
is the
greatest
form
of flattery.

S.I.Partners' experience

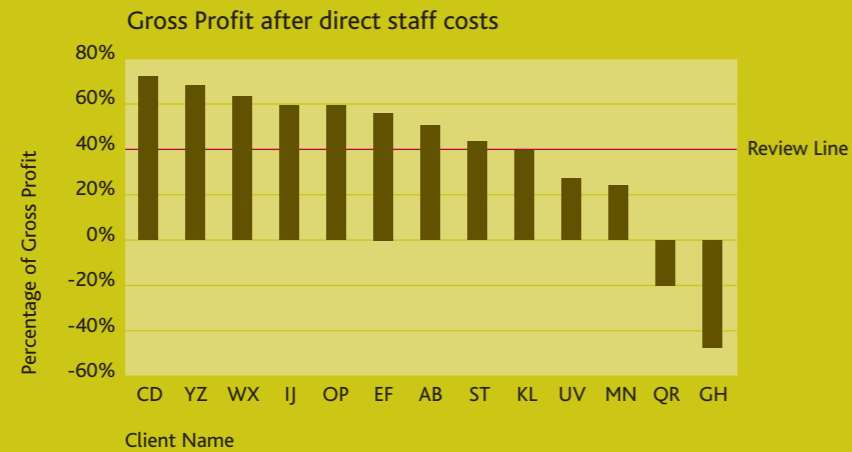
- In creative industries, IP often manifests itself in ideas, which can be hard to identify and protect.
- *"Imitation is the greatest form of flattery".*

The best ideas usually invite some imitation. Welcoming imitation rather than calling your lawyer can build the value of your idea through a halo effect.

- If you want your clients to reward great ideas that transform their business, you need to acknowledge when they don't work so well.
- The issues that tend to stand in the way of IP development are:
 - Lack of confidence leading to under-charging
 - Pushback from procurement, wanting to pay for time, not value
 - Dilution of ideas through client tinkering
 - Confusing efficiency with value

If your clients undervalue your IP
it's your problem, not theirs.
So what can you do?

Client Profitability



How to create IP value

a. Understand

The world you operate in and the way you communicate with it will determine what is possible in terms of rewards for your IP.

Get a good understanding of:

Your environment

- The type of work you do. Are your clients' briefs 'just do it' in nature or do they require in-depth strategy and application of your IP?
- The type of clients you have. What criteria do you use to categorise them? E.g. creative, growing, profitable.
- Client relationships. One-off projects or long-term partnerships?
- Your new business effort. Does it guide you to clients that are likely to value your IP and contribution?

Use of language & data

Important basics to get right.

- How are your prices calculated and agreed with your clients?
- Performance data. How is success defined and measured. Can you get access to this data?
- Don't be afraid to challenge 'accepted behaviour'. E.g. last minute or constantly evolving briefs.

Knowing when to stop

- There may come a point when it is better to stop working with a client.
- Regular reviews of client profitability are critical to decide which clients to work with.

b. Define

Now to define your IP.

Attributes

- What is it? – An audit? A customer profile? A database?
- Can you make it yours? – Is your tone of voice distinctive? Your brand name? Your way of working?
- How can you bring it alive through everything you do and the way you work?

ROI measurement

Quantify your IP:

- What will it deliver – how much “x” over “y” time?
- What is the investment required to create it?
- What is the expected return?
- Is this agreed with the client?

Timescale

- Over what period of time are you expecting an outcome?
- What about long-term effects / lifetime values?

Getting the detail right is crucial to good negotiations.

c. Creation

Take time to reflect on what you do:

- Invest in a **Creation Process**. E.g. brainstorming, questionnaires, management training, etc.
- Get input from all departments within the agency. The creators of ideas rarely appreciate their value or negotiate the best price for them.
- Ask the client what is important to them. Make this a part of the agency appraisal process – e.g. rank what is important to them and score your delivery.
- Review past work. Segment it and re-price it with the knowledge of the outcome and take these lessons and benchmarks on to the next project.

Make your process attractive and understandable to clients:

- Avoid the intangible: “We are brilliant at what we do.”
- Focus on the deliverable and if possible, quantify it: “Here is our insight process which will deliver x improvement on y.”



d. Productise

Productisation is necessary to give your IP an identity and present it in a form that clients can buy.

- All products have attributes, so give some to your IP.
- Describe in detail the process to create each product. It may be obvious to you but not to your clients and they may not buy what they don't understand.
- Articulate what each product contributes.
- Articulate the sum contribution of the individual products.
- Whenever possible, provide clear examples of products in practice – even the 'black box' ones.

e. Value

Measurement

- You need to understand and agree the impact of your IP on your client's business.
- Measuring ROI may not be easy, but there is usually some way of showing a return – whether based on hard data or softer measures such as behavioural change.

Pricing

- Have the confidence to ask for the value that is deserved and can be substantiated.
- Don't be afraid to challenge the established 'normal' ways of pricing work.
- Try to price according to the value you deliver instead of the time spent.
- Check that this value will exceed the cost of the time spent!

Always
exceed your
client's
expectations.

f. Sell

Selling is the most important aspect of extracting value from your IP.

- Make sure it is done by a salesperson.
- It is almost always a bad idea for the person who created the IP to be the person selling it.
- Support your argument with data.
- Be confident.
- Be accountable. Acknowledge your failures.
- Don't fight with finance / procurement people – engage with them. They often have the power stop or delay projects.
- Always exceed your client's expectations.

g. Acknowledge

Constantly remind yourselves and your clients of the IP you deliver. Don't wait for pitches and account reviews to do this.

- Identify and quantify the outcomes.
- Note the changes in behaviour that have a beneficial impact on your clients' business.
- Note the benefits that filter down through the client / agency relationship.

Protect the IP

- In some cases there are effective methods such as registering patents for software, and filing trademarks and copyright.
- In most cases it is much harder. IP can be stolen or lost through staff turnover or simply by the delivery of work to a client. Legal protection is often complex, expensive and ineffective.
- The best defence is simply to be better than anyone else. Build and maintain a reputation for valuable IP through the consistent delivery of quality work.

Summary

Try this at home...

- Re-evaluate your IP offering.
- Develop a **Creation Process** to identify and quantify your IP.
- Develop your agency's IP reputation by delivering a quality offering, properly priced, with confidence.

If the outcome of this process is a 10% uplift in income from clients, this goes straight to your agency's profit.

S.I.Partners

For more information or to discuss how S.I.Partners could help you to make these changes within your business, please call Charles Fallon on:

+44 7970 409 268

or email: charles@sipartners.co.uk.

About the S.I.Partners seminar series conducted for the AAR:

- S.I.Partners created bespoke seminars for the AAR, covering 3 core topics:
 - Understanding & Managing Talent
 - Turning IP into Products
 - Profit Improvement
- More than 60 CEOs attended the seminars.
- Agencies from all marcoms disciplines were represented, including Advertising, Design, Direct Marketing, Media, Public Relations, Sales Promotion and Digital.

Some comments from delegates...

"You have given me so much to think about. I feel enthused and inspired. Great to take some time out to think about key business issues."

"Very thought provoking – really practical advice. Thank you."

"Not only was the course content relevant and well presented, the calibre of the attendees made a real difference."

“ This series of seminars has proved to be an extremely successful and popular initiative. Charles Fallon led each presentation with great panache, prompting lively, productive debate and delivering real value for the delegates, as evidenced by the high feedback scores – an average of 4.6 out of 5 from all delegates.”

Kerry Glazer, AAR

S.I.Partners

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