# SBIR Proposal Writing Basics: Commercialization vs. Commercialization

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“Commercialization” is one of those terms that has different definitions to different people in the SBIR/STTR program. If you are thinking of one definition while the SBIR/STTR agency is thinking another, then you could be in trouble. So let us spend some time discussing two different and sometimes inconsistent definitions of commercialization.

In the business world, commercialization means that you take the results of your SBIR/STTR work, productize (or “service-ize”) it, and sell it in the marketplace. There needs to be enough customers, who are willing to pay a high enough price so that you can more than cover your costs (i.e., make a profit), to make this worth your effort. Don’t fall into the fallacy of “I lose money on every unit but make up for it on volume.” And don’t get too excited about having only one or a few customers who only want to buy a few units from you, even if you can do so at a profit—that is not going to be a long term commercialization success.

The other common definition of commercialization that is found in SBIR/STTR is to translate the results of your Phase I and II efforts into something that the awarding agency can use to solve a problem it is having in accomplishing its mission. The classic situation is with the Dept of Defense—they have a mission to protect our country and the free world, and if they have a problem in doing so, they ask you to solve that problem with your SBIR/STTR project and then implement the solution.

So here is where these two definitions of commercialization can be in conflict. The first definition says you don’t have a commercialization opportunity unless there is an adequately large market willing to pay a high enough price to make it worthwhile for you to productize the results of your SBIR/STTR. The second definition says convert the prototype you have in Phase 2 into an end product that is sufficiently developed to be rugged and user friendly and insert it into a particular system or vehicle used by the agency. But what if the agency only wants to buy a couple of units, and is only willing to pay a price that covers your costs plus a “reasonable” profit? If this happens, then you may satisfy the second definition of commercialization but not the first, and you end up not enjoying the long term, profitable benefits of commercializing your SBIR/STTR work.

So let us offer a couple of words of advice.

First, realize with a mission-driven SBIR/STTR agency like DOD or NASA, they are likely to be most focused on the second definition of commercialization—i.e., your willingness and ability to convert the results of your SBIR/STTR Phase II into something they can use to solve a problem they are having, They may not know, or even care, whether you are meeting the first definition. Therefore, it is up to you to make sure you are satisfying both definitions.

Second, if you can’t meet the first definition of commercialization with the “modest” Phase III needs of the DOD or NASA, then evaluate whether you can meet it by extending the results of the SBIR/STTR project beyond the agency’s needs to satisfy the demand of other customers. Those other customers might be another agency, state or local units of government, or the private sector in the form of industry or consumers. Extending the Phase III efforts to those other customers may be enough to allow you to meet the first definition, and make this SBIR/STTR project a long term financial success for your business.

Third, think twice before deciding to send in an SBIR/STTR proposal when you don’t think there is an adequate Phase III commercialization market including all possible market opportunities. While it might give you some short term revenue, you don’t want to build a reputation for not going on to Phase III. Agencies are starting to ask what you’ve done (in the way of Phase III) with your prior SBIR/STTR awards, and a poor track record will hurt you in your future efforts to secure funds for projects that do have strong Phase III potential.