



Getting to Phase III Commercialization: Realities of Selling to the Military

An article by Sandra Erwin in “National Defense” magazine (National Defense Industry Association’s business and technology magazine) entitled [“Survival of the Fittest in the Industrial Base”](#) states:

“There has been no soft landing for many of the small-and mid-size companies that sell equipment to the military, and the downturn has been especially tough on contractors whose livelihood for years was tied to war spending...”

This demonstrates the importance of seriously considering and planning your “Dual Use” applications when you prepare your DoD Phase II commercialization plans. It’s vital that you consider not only the military uses for your products/services, but also the civilian applications.

Why should DoD be interested in your non-military applications? For one thing, larger volume production arising from commercial markets will typically make the product less expensive, a key consideration in defense acquisition. They also want suppliers to survive in the long term to provide parts, service and other support for their products and technologies, and having civilian business will help buffer smaller companies from the variability in DoD spending.

This means that when you prepare your Phase II proposal, you’ll need to convince the reviewers that you understand what’s involved in working with DoD (their primary concern) as well as applicable civilian markets. Regardless of the proposal requirements of your specific DoD sponsor (which varies component to component), you can be certain they will require a significant commercialization plan articulating how you will move your innovation into a technically mature product that can be deployed as either part of a platform or system, or as a standalone product.

The Commercialization Plan in your Phase II should clearly address the following:

- **Product**
 - What is the end product/service that will result from this research? (Should include the stated need from the solicitation!)
- **Customers & Market**
 - Who will be your initial and long-term customer: Include the funding component and other DoD components, other federal agencies and private sector. Primary focus should be on the component, then DoD, then commercial/private sector.
 - Describe the anticipated target markets or market segments and needs addressed
 - What is the estimated size of the market being addressed? (Provide citations indicating where you got this information)
 - What are the barriers to entry, and how do you expect to address them?
- **Financing & Business Model**
 - What Business Model will your company follow to bring this technology to market? (i.e., develop/manufacture internally /sell/distribute, develop/license out, develop/OEM manufacture/sell/external distributors, etc.)
 - What role, if any, will Prime Contractors and Tier One suppliers play?
 - How much money will be required by your company to get the product into DoD’s hands? What assumptions were made to come to this conclusion?
 - Based upon these assumptions, describe how you plan to finance your innovation to achieve Phase III and Commercialization (TRL 9)
 - Note all private sector or non-SBIR funding sources and any follow on funding commitments as a result of this project

- **Marketing & Business Expertise**
 - Describe in-house marketing and other business expertise available or planned to help bring this technology to market
 - Include management, employees, board members, advisors
 - Include how you'll cover key applicable business functions including Marketing/Sales, Operations, Regulatory, Financial, Legal/IP
 - Provide evidence of past success, either by the company itself or by other resources internally
 - Specify any positive record of commercializing research, including SBIR. If appropriate, state CAI (Commercialization Achievement Index)
 - If there are gaps in expertise, how will the company fill those gaps?
- **Competition**
 - Who are the main likely competitors and why is your technology better?
 - Include the other Phase I awardees with whom you'll be competing for Phase II funds
 - What is the value proposition for the product enabled by the innovation?

The following tips will also increase the odds of successfully inserting your technology into a DoD acquisition program:

1. Remember that commercialization starts on Day 1 of your Phase I.
2. Find out from your TPOC (Technical Point of Contact) who sponsored the project and who else you should begin to engage within DoD (i.e. the Program Executive Officer) and prime contractors.
3. Identify early on in Phase I where the transition point will be for your technology (i.e. a particular platform) and understand the requirements of the transition point (i.e., the T&E, or Test and Evaluation, requirements you will need to meet)
4. Learn and speak intelligently about TRLs (Technology Readiness Levels) and MRLs (Manufacturing Readiness Levels).
5. Don't work in a vacuum. Keep all of your contacts involved in and informed of your progress
6. Ask about Sequential Phase IIs or the Rapid Innovation Fund to help mature your technology beyond the Phase II level.

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