

FOLLOW-ON FUND – SPECIFIC GUIDANCE NOTES

1. What does a successful Follow-on Grant application look like?

The Follow-On Fund has limited grant funding available. NERC therefore needs to ensure that awards are made to projects with the greatest likelihood of ultimately securing a successful commercial uptake of their research outputs.

To satisfy the Assessment Panel of this your application for a Follow-On Grant must have three key components:

A: An informed assessment of the strengths and weaknesses of your intellectual property position and other intangible assets. As noted above, the relative importance of IP to your commercial prospects will vary according to the nature of your proposed offering.

B: A series of linked technical development milestones that show how you will develop your intellectual property

- to take advantage of the most appropriate opportunities in the commercial market
- by converting it in to commercially attractive products, services or capabilities
- whose specification is or will, with further investigation, be based upon a deep understanding of the end-users' needs and requirements.

C: A commercialisation strategy that

- is based on a robust analysis of the potential market for your proposed offering (to the extent this is possible given that your technology is likely to be at an early stage),
- provides a sound rationale for prioritising the range of potential applications and markets for your intellectual property, and
- takes a realistic view of the likely scale of sales and marketing activity that will be needed to gain market traction.

Rigour in the above areas is vital: it maximises the likelihood of developing your research in a way that leads to its successful commercial uptake and helps minimise the risk of sub-optimal use of NERC Follow-On funding.

For these reasons the Follow-on Fund Assessment Panel will only recommend awarding a Follow-On Grant if all the above elements are present in your application.

The following section discusses what you need to cover in each element of the application form in order to satisfy the Panel's requirements.

Further details on applying for a Pathfinder Grant are given later in this document.

2. Preparing your Follow-On Grant application

Applications should be made through Je-S. Select *Standard grants* and then *Follow-On Fund*.

2.1 Common weaknesses

As one would expect, most applications for Follow-On Grants are strong on technical content and, usually, on management of the proposed development programme.

However, they typically require strengthening in four areas:

Better assessment of the commercial opportunity. The *benefits* that you will provide to your market must be clear (not just the features of your technology!). Your plan must provide a clear answer to the question "What is the problem to which this is a solution?"

Bear in mind that the best opportunity is not necessarily either the most accessible or the largest. Therefore, take a broad view as there may well be excellent market opportunities available in addition to those that spring most readily to mind. For example, there may be modest market niches that may be overlooked by competitors and which offer an opportunity to establish a sound foundation from which to expand into other markets or application areas.

Better analysis of competitors. End-users are seeking a solution to their need or problem. They will take a broad view of where that solution can be found. Unless there are compelling reasons to do so, they will not limit their search to a particular technical solution or approach, and nor should you when considering who your competitors are. Take an expansive view of who can or could, if they so chose, provide a competing solution to that which you propose. Make sure that you look beyond the confines of your particular technology and consider all the alternatives. Don't fall into the trap of assuming the market will beat a path to your door simply because you have a better technology.

More realistic analysis of the likely challenges and resources required to obtain commercial customers or collaborators, as the case may be.

Clearer linkage between the market opportunity assessment and the technical development plan. The focus and direction of the technical development plan must be informed by the findings of your market assessment. It should therefore be geared towards the achievement of technical milestones that are themselves shaped by, and focussed on, ensuring the project achieves its commercial objectives.

The vast majority of market assessments will be undertaken through an earlier Follow-on Fund 'Pathfinder' grant that informs the 'full' application. However, where the market assessment forms part of the 'full' proposal, the Assessment Panel will expect the applicant to be explicit on a number of points so panel members can understand who will be helping you ask the right questions and get the right answers:

- Who will do the assessment;
- What will they be looking for, and looking at;
- How will they go about this exercise, and why is it being done this way?

It is important that the outcomes of Pathfinder grants are used to inform a 'full' proposal, and that their outcomes are discussed in the 'full' proposal so the Assessment Panel has the full facts to make a funding recommendation.

In successful applications this train of thought flows, like a "golden thread", from the market assessment to the commercial strategy to the technical development plan. The result: a well-considered product or service that serves a defined

market need, instead of developed, but ill-considered, technology looking for a user.

2.2 Points to consider, section by section

The parts of the form not mentioned here should be completed in accordance with standard practice when applying for NERC grants.

The following points should be borne in mind when completing the sections listed below:

2.2.1 Objectives section

List both the technical and commercial objectives of the project in order of priority. Indicate how achieving the former will help achieve the latter.

When setting out your commercial objectives be realistic about how far you can take your technology along the product development and launch continuum. In most cases, with the exception of some consultancy-based offerings, it's unlikely that your team will take the technology through to market launch and beyond.

There are likely to be other parties who, due to their commercial knowledge and resources, are better-placed than you to get your technology to market.

The key point to bear in mind is that even if you don't anticipate playing any part in that commercial activity yourself your application must explain:

- First, how you will develop your intellectual property to the point at which it will attract commercial interest and
- Secondly, provide a considered view of the proposed route to market (the who and how of taking it forward to market launch and beyond).

2.2.2 Summary section

Bear in mind that some members of the Assessment Panel may have little or no knowledge of your technology area. Clarity of message is therefore key in this section.

Identify the problem you aim to address, how your technology addresses it, and the benefits end-users will derive by adopting it.

2.2.3 Impact summary section

Explain who will benefit and how they will benefit from the proposed technology/product/service you intend to develop.

Also explain briefly how the project will improve the prospect of commercialisation and/or increase the value of the technology.

2.3 Additional documents

The following attachments should be included with your application:

2.3.1 Case for Support

Your Case for Support should comprise a Technical Development Plan and a Commercialisation Plan of not more than 3 A4 pages each. It should provide a coherent and compelling case as to why your project deserves support.

2.3.1.1 Technical Development Plan

This should describe:

- The background and context of your project
- The current status of your technology
- Your intellectual property position and strategy
- The workplan for further developing your technology.

You should explain the scope of any granted or filed patent applications or other intellectual property protection enjoyed by your technology, and your proposed strategy for further strengthening your IP position. Note any granted patents owned by companies related to your technology.

Any weaknesses in your IP position should be identified, in particular freedom to operate issues, along with how you plan to address them. For example, will it be possible to put your technology into practice in your chosen market without recourse to third party intellectual property? Or will you need to license in additional intellectual property such as databases or patented technology? A granted patent gives the owner a monopoly on the use of the patented technology in manufacturing, as a product or in performing a service. Your plan therefore needs to explain what access rights to additional intellectual property, if any, you will need in order to have a marketable product.

The workplan should clearly identify your technical objectives, along with the corresponding milestones and activities for each one. You may find the following structure useful for this purpose:

- Description of technical objective
 - Rationale (technical and commercial)
 - Milestones to be achieved
 - Work to be carried out

Identify any significant technology risks, along with your strategy for mitigating them, including key Stop-Start decision points.

You should also explain your fall-back position if the project does not progress as anticipated – in other words, what is your “Plan B”?

The workplan should be supported by a Gantt chart or similar, showing the key milestones, activities and target dates for the project.

2.3.1.2 Commercial Development Plan

This must explain the commercial logic and rationale that underpins the project.

In essence, it serves as the commercial foundation upon which your technical development plan is built. It therefore follows that you are very unlikely to secure a Follow-On Grant if there is a disconnect between the two.

The key questions your Commercial Development Plan should address include:

What is the range of potential market opportunities/ applications for your intellectual property?

For each application briefly describe:

- The market need
 - o Who is the customer/end-user and what issue do they need to address?
- The size and scale of the likely market
 - o Where firm information is unavailable provide an estimate explaining the assumptions on which it is based
 - o Focus on the addressable market for your technology. For example, the waste recycling sector may well be worth tens of billions overall, but how big is the market for your specific technology?
- The benefits that your proposed offering will deliver and the advantages it offers over competing solutions

- Your competitors
 - o Include both existing and potential competitors – who could compete with you if they chose to enter this space?
 - o Identify their comparative strength, relative to you. Remember that the quality of their technology is but one element to consider. Factors such as strength of brand, distribution strength, market reputation, breadth of product and IP portfolio, quality of customer service and technical support can be far more significant sources of competitive advantage than technology per se. Great technology that lacks a route to market has little value. Okay technology with excellent channels to market can, however, be immensely valuable and prevent far better solutions being adopted.

Which market opportunity(ies) are you prioritising, and why?

Explain the rationale that lies behind the selection you have made. This may be a fairly straightforward task if your technology is reasonably well developed or there is a clearly defined market for your offering. However, it may be difficult if your technology is still at an early stage or the market opportunities are relatively immature. In such cases your choice of target market may crystallise during the course of, and in light of the results of, your technology development programme.

If this is so, you should identify and explain the criteria that will be used in due course to prioritise.

Are there any legislative or regulatory requirements which may limit the use of your proposed product or service?

For example, will your proposed test need to be approved by EU? Is the product likely to be a therapeutic or medical device for human use? Will your instrument deliver sufficiently robust data to demonstrate compliance with environmental pollution legislation?

What engagement with potential users/customers/collaborators have you had?

A commercialisation plan and technology development plan that are fit for purpose cannot be produced in a vacuum. Prior engagement with representatives of the user community (including regulators, where relevant) for your offering is therefore essential. Their views and requirements are vital in identifying the features and functionality that they need, and which your offering must provide, if it is to have any chance of successful commercial uptake.

Your application should therefore be supported by evidence of substantive dialogue and engagement with your target market. Letters of support from potential users or commercial partners are particularly valuable if they:

- Indicate a genuine understanding of, and interest in, the project and its potential outcomes;
- Confirm there is a market need for your proposed offering and that it appears to offer benefits over competing solutions; and ideally
- Offer substantive assistance in helping you develop your technology.

Generic “rent-a-friend” statements of goodwill, however, are of little value.

What is your route to market?

There are various options, including licensing, forming a spin-out company, collaborative development and marketing with a commercial partner, and outsourcing elements of manufacture, sales and distribution.

You should explain why your proposed strategy is fit for purpose. Bear in mind that the Assessment Panel needs to be convinced that your proposed approach is likely to maximise the commercial uptake and impact that flows from your development project.

The Panel welcomes proposals to commercialise via an existing spinout company provided it has access to the necessary commercial skills, expertise and resources – financial and otherwise – to achieve this. You are urged to take a realistic view on this issue and to discuss it with your Technology Transfer Office. If the company falls short in this area your plan should explain how this shortcoming will be overcome. A licensing or collaboration deal with a commercial partner better placed to exploit your technology may be the most appropriate solution in such circumstances.

2.3.4 Supplementary documents

You may include the following as additional attachments to the application:

- A description of the track record of the investigators and any named staff (max 2 pages A4)
- Gantt chart or similar, as described above
- Equipment quotes for any item over £25,000 (no limit on page length)
- Letters of support from project partners (no limit on page length)
- A copy of any market assessment reports produced as a precursor to your application.

3. Involving your Technology Transfer Office

Applications to the Follow-On Fund must be a joint exercise between the project team and their host institution’s Technology Transfer Office.

All Follow-On Grant applications must include a Letter of Support in support of the application. This letter should include a statement confirming that the application has been developed in conjunction with the Technology Transfer Office.

Successful commercialisation – from assessing the market opportunity through to securing commercial uptake – is a major challenge. From the very start it demands skills and perspectives that are different from those needed to run academic research projects. You are therefore strongly advised to discuss your application with your Technology Transfer Office at the earliest opportunity.

Technology transfer offices have many calls on their time and resources, so it's essential that your application demonstrates how your TTO will support the commercialisation of your research in a sustained and meaningful way.

The Assessment Panel will therefore look for evidence of meaningful intellectual engagement in, and commitment of resources to, your project by the TTO on an ongoing basis. Examples include the funding of patent costs and market assessment exercises, the facilitation of exploratory discussions with third-party stakeholders, involvement in devising your commercial strategy and, where appropriate, handling discussions and negotiations with third parties.

4. Monitoring of progress

Recipients of Follow-On funding and their TTO will be required at the end of the grant to report on the progress made against the project's objectives and to identify their plans for ongoing commercialisation. Please see the [Follow-On Fund Final Report Form](#) for details of the reporting required in addition to standard grant reporting procedures (note that this form is currently a draft, and the final version might look different). The requirement for a final report is in addition to NERC's standard reporting requirements via Outputs and Reporting measures (see paragraphs 302-305 of NERC's [Grants Handbook](#)).