

## **Brand Licensing Processes and Workflows**

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<p>Tämän opinnäytetyön tavoitteena on tarjota brändilisensoinnin työnkulun prosessikartta ja antaa lukijalle ymmärrys brändilisensoinnin työnkulusta, sekä miten kyseinen työnkulku on yhteydessä prosessien kokonaisuuteen. Brändilisensointi liiketoimintana ei ole Suomessa tunnettu ja voisi tarjota monille yrityksille uuden tulovirran. Brändilisensointiohjelman hallitsemiseksi yrityksen on ymmärrettävä liiketoimintamalliin liittyvät prosessit.</p> <p>Tavoitteena on tutkia ja kartoittaa työnkulun osat julkisen kirjallisuuden perusteella ja esittää ne graafisessa prosessikartassa. Yksittäiset työnkulun osa-alueet selitetään myös opinnäytetyön tekstissä ja prosessikartan käsikirjoitus on lisätty helpottamaan prosessikartan lukemista. Lisäksi tavoitteena on täyttää tekijän ammattimainen uteliaisuus brändilisensointialan standardeista ja tarjota prosessikartta vertauskohteeksi opinnäytetyön asiakkaalle.</p> <p>Tutkimus on rajattu brändin omistajien ja lisenssinantajien näkökulmaan liiketoimintaan liittyvissä prosesseissa ja työnkuluissa. Sen lisäksi tutkimus keskittyy oheistuotteiden lisensointimalliin ja sen liiketoimintaprosesseihin. Opinnäytetyö käsittelee ensin brändilisensoinnin liiketoimintamallia yleisellä tasolla ja laajentuu kuvaamaan sitten osa-alueita yksittäin. Viimeiset kappaleet kattavat tutkimukseen liittyvät tulokset ja johtopäätökset.</p> <p>Tutkimuksessa kävi ilmi, että vertailukelpoisia dokumentteja ei löytynyt. Kirjoittajan haaste oli lukea huolellisesti viitemateriaalit ja löytää prosessivaiheet teksteistä, jotka on kirjoitettu liiketoiminnallisesta, eikä operatiivisesta näkökulmasta. Tutkimuksen tuloksena on liitetiedostossa.1 kuvattu brändilisensoinnin prosessikartta.</p>	
<b>Asiasanat</b> Brändi, lisensointi, immateriaalioikeudet, prosessi, työnkulku	

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<p>The purpose of this Bachelor's thesis project is to provide an end-to-end brand licensing workflow mapping and give the reader understanding of the brand licensing workflows and how they are connected in the overall process. Brand licensing business is not too familiar in Finland and could offer an opportunity for a new income stream for many companies. To manage the brand licensing program, the company needs to understand the processes associated in the business model.</p> <p>The goal is to research and map workflow pieces from public literature and present them in a workflow map. Individual workflow sectors are also explained in the bodytext of the thesis and a manuscript of the workflow map was added to ease the reading of the workflow map. In addition to previous, aim is to fulfill author's professional curiosity of the brand licensing business standards and provide a benchmark workflow map to the client of the thesis project.</p> <p>The study is limited to brand owners i.e licensors perspective of the processes and workflows associated in the business. In addition to specifically focusing on the merchandising processes or in other works procedures behind brand licensed products. The thesis consists of first explaining the business model on a general level and then extends further to describe individual workflow segments associated in the brand licensing business. Final chapters cover the results and conclusions related to the study.</p> <p>The study revealed that there were no documented workflow mappings to be found and used as a benchmark for this thesis project. The challenge for the author was to carefully read the reference materials and pin-point process steps from the text, which were written from the business perspective and not from operational standpoint. The result of the study is the workflow mapping of the brand licensing business model found in the attachment.1.</p>	
<b>Key words</b> Brand, Licensing, Immaterial Rights, Process, Workflow	

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# 1 Introduction

The main objective of this bachelor's thesis project was to provide a general understanding of the brand licensing business, its operations and processes and a graphical workflow map for the commissioning party, Company X, that will be referenced to as a client in the thesis project. The brand licensing business model is not well established nor known in Finland, yet during recent years it has started to gain interest by various companies. The topic is relevant as many companies struggle to build and manage a successful licensing program as there is not much public information available on the matter of workflows of the brand licensing processes.

For consumers of all ages the presence of brand licensing business is very visible even though the business model is not commonly known. An example of brand licensing would be every major animation movie associated merchandising e.g Disney's licensed products. Brand licensing business is considered as an effective and some cases profitable marketing tool that is built on brand's awareness.

The author has worked in the brand licensing field several years and in different positions. He has established knowledge of all the various business mechanics in brand licensing in addition to practical experience. His main strength lies in understanding the operations and workflows throughout the value chain. The brand licensing business model is extremely fast paced and highly unpredictable therefore the ability to manage constant change and solve unexpected challenges in short deadlines in cross-functional teams is required.



attached and images included were created by the author and based on the processes described in the source literature and theories. The workflow mapping was completed using Kmetz method of workflow mapping and analysis. The following chapters in this thesis project will walk the reader through each operations part in the workflow map and explain the function and background why they are important for the process flow.

The brand licensing workflow map was completed for a client in the entertainment sector, which operates also globally in the brand licensing field. The company has several hundred employees and affiliate offices around the world. Company uses English language in all communication and therefore it was requested by the client to write this thesis project in English language. Furthermore, a similar workflow mapping project was conducted earlier by the author as an employee. This thesis case study can be compared and benchmarked against the earlier company specific workflow map. The thesis project and its case study are important for the client as it will help to compare their existing processes and whether they differ from the common licensing business practises. In case the presented workflow map succeeds to provide major differences that are found to be more effective than current processes in place, an implementation project might be started to improve operations efficiency, cut down costs and clarify roles within the organization.

There are several different models for mapping workflows. For this case study Kmetz method was used due to its clear and simple approach to workflow mapping and analysis, for short WFMA. The way Kmetz (2011, 1-2) teaches to map company processes is to think of them as systems. He argues that on a fundamental level every organization is an information processor in which information is needed to be passed with different actions from person to person. The coordination and interactions between the stakeholders require formal and tacit knowledge of which the latter is very challenging to be captured on a documented workflow map as company personnel tend to work and solve tasks differently. Sometimes the difference is small but in some cases two people with exact same roles and responsibilities manage their work and time in completely different manner. Every company process is a designed workflow and due to this reason, they evolve and change over time. One of the most challenging tasks that many companies struggle with is knowledge management, which means

documenting the formal and tacit knowledge. When used correctly WFMA model is capable of capturing both forms of knowledge and therefore the workflow maps created with the method can be used for storing both types of information e.g creating job descriptions or used as a training material. Kmetz also claims that WFMA is a fundamental requirement of any kind of six sigma programs, quality management and process improvement. (Kmetz 2011, XV).

## **1.2 Scope and Limitations**

The research problem for this case study is what are the common brand licensing workflow processes. In terms of the scope of this thesis project, the target is to focus solely on the brand licensing business and not to consider any other forms of licensing e.g software licensing, music licensing or franchising. The system automation aspect was also excluded from the workflow map due to the limited information of confirmed use cases in licensing business model. The research was conducted based on public literature and selected processes were confirmed in expert interviews. The contractual terms and operational specifications which are explained in the following chapters were included based on their importance in the operations workflow and to give the reader a more holistic understanding of the overall business model. The product of this thesis project is to provide a general brand licensing workflow map based on source material and enable readers to compare their company specific operations to suggested business standards. Furthermore, several contract terms and minor business mechanics such as royalty calculations methods and definitions were excluded to keep the workflow on a general level. However, they are highly important for all contracting parties' protection, property control and partnership management. The workflow map was created from a property owners i.e licensors perspective, which makes this a case study. In addition to previous this thesis also provides clear description of each step, stage and parts of the processes used in the brand licensing business for smooth licensing program execution.

## **1.3 Structure**

The thesis project is divided into five main chapters with subchapters. The first chapter introduces the thesis subject and its background. Second chapter gives a detailed theoretical background of the brand licensing business model. The third chapter



contains a deeper insight to each operational segment in brand licensing. The fourth chapter describes the project as an entity and the process that was followed to finalise the thesis that is presented hereof. The fifth and last chapter summarizes the results and offers the conclusion.

#### **1.4 Confidentiality**

The research process was completed using publicly available literature and no confidential information from the client was required as the main objective was to provide a reference document of the common brand licensing business and practises in form of a workflow map. Copy of the thesis project was given to the client to confirm that the thesis project did not include any confidential or secret material and that the completed thesis project including the workflow map was publishable.

## **2 Brand Licensing Business Overview**

This chapter gives a detailed theoretical background of the brand licensing business model, which is a large part of the scope of this thesis. First subchapter is an introduction to the overall business model. Then, in the second subchapter the main stakeholder operators are described. In the third subchapter a brief differentiation between licensing and franchising is clarified as they are easily confused. Throughout this report the business model will be referred to as "licensing business" instead of "licensing industry". This is due to the fact that Raugust (2012, V-VI.) points out in a very rational matter that brand licensing is a business tool close to a marketing technique, which spreads over multiple industries for example sports, entertainment and fashion.

### **2.1 Business Model**

The authors of the source literature describe "brand licensing" in different ways. According to Raugust (2012, 3), licensing stands for a practise of leasing an intellectual property to a third party. The third party is contractually granted rights to a specified intellectual property and purpose in return for a negotiated payment. Sherman's (2011, 371) definition completes the previous by clarifying that the intellectual property is allowed to be exploited by the third party within the contractual terms but the ownership is not contractually transferred at any point of time. Brand licensing has also been referred to as merchandising.

Intellectual Property (IP) can be defined as a protectable piece or combination of musical works, literary works, artworks, drawings, inventions, discoveries, designs, patents, trademarks, names, logos, legends, graphics, likenesses, sayings, signatures, industrial designs, trade dresses, celebrity rights and many others. IP's can be protected as a patent, trademark, copyright, right of publicity or trade secrets. (Battersby & Simon 2012, 1; Raugust 2012, 3). The IP's can be divided into 12 categories that are described in the table found in the next page.

Table.1 Intellectual Property Types (Raugust 2012, 36)

Intellectual Property Type	Examples
Art	Picasso, American Greetings card art
Celebrities / Estates	Albert Einstein, Paris Hilton, Elvis Presley
Collegiate	Oxford University, University of Wisconsin-Madison
Entertainment / Character	Batman, Hello Kitty, Simpsons, Austin Powers
Fashion	Armani, Tommy Hilfiger, Guess?, Burberry
Music	Beatles, Madonna, Rolling Stones, K.I.S.S
Non-Profit	UNICEF, Greenpeace, Save the Children
Publishing	Harry Potter, MAD Magazine, Where's Waldo
Sports	NASCAR, NHL, Michael Jordan, Tiger Woods
Trademarks / Brands	Coca-Cola, Burgetr King, Reebok, Ford, Jeep
Traditional Toys / Games	Barbie, LEGO, Play-Doh, Monopoly, Crayola
Videogames / Online	Pac-Man, Angry Birds, Super Mario

Brand licensing in general stands to IP owner, which is also referred to as licensor granting to a third party company, commonly referred to as a licensee a permission to an intellectual property, which can be trademarked or copyrighted name, logo, character or other design (Lewy & Bartkowiak 2011, 26). Therefore, the main concept behind the business model is to contractually transfer rights to a third party without transferring the ownership of the intellectual property (Sherman 2011, 371). Today, the business is a global phenomenon with \$150 billion licensed products sold in retail in 2011 of which little over 60% is from U.S and Canada (Raugust 2012, V).

The business model is often referred to as merchandising and it can be traced back to 1800's but it was during 1970's when the business exploded with Disney's franchises and Lucasfilm's Star Wars brand leading the way (Battersby & Simon 2012, vii).

Specifically, the grant of rights of an intellectual property usually consists of purpose, meaning product or category to be sold in retail specified by territory, timeframe and in return for agreed type of payment which commonly in brand licensing is a royalty percentage of net sales (Raugust 2012, 3).

Once IP has been licensed the purpose is to allow third party to manufacture goods or products. Commonly they are called licensed products as they utilize the licensed intellectual property (Battersby & Simon 2012, 1).

Table.2 Product Segments (Raugust 2012, 50-52)

Product Segment	Category Examples
Accessories	Backpacks, belts, sunglasses, wallets
Apparel	Dresses, pajamas, shorts, t-shirts
Domestics	Blankets, curtains, towels
Electronics	Clocks, cell phone covers, MP3 Players
Food / Beverage	Candy, cookies, juice, soda
Footwear	Athletic shoes, beach footwear, slippers
Furniture / Home Furnishing	Chairs, clocks, lamps, tables
Gifts / Novelties	Chess sets, collectibles, key chains
Health / Beauty Aids	Cosmetics, fragrances, shampoo
Housewares	Cups, plates, bowls, mugs
Infant Products	Bibs, cribs, strollers
Publishing	Activity books, comic books
Sporting Goods	Bicycles, scootes, skateboards
Stationary / Paper Goods	Office supplies, party goods, cards
Toys / Games	Dolls, kites, yo-yo's
Video Games / Software	Online games, slot machines
Other	Hardware, housing plans, majos appliances

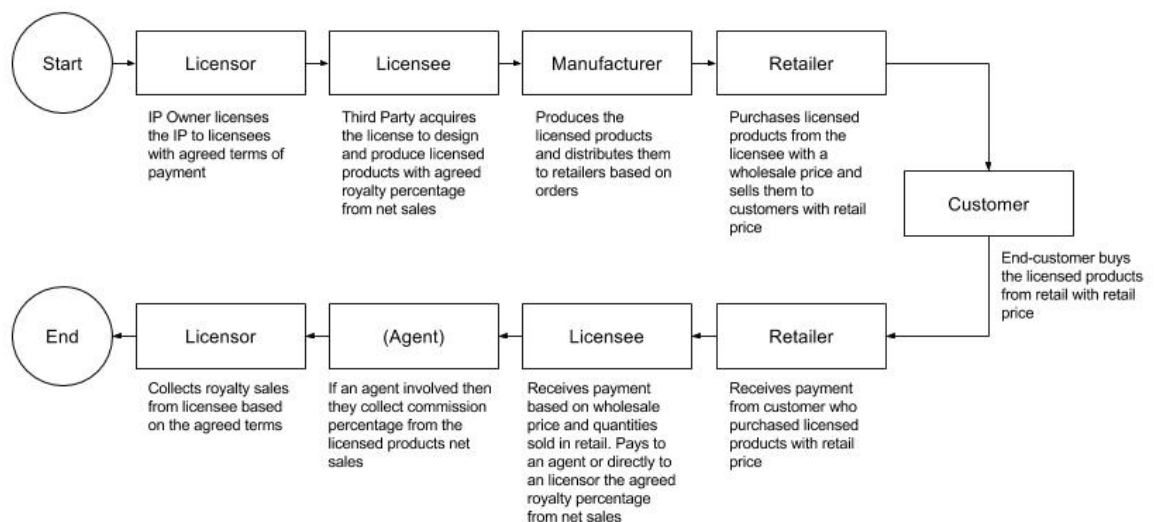


Figure.2 Simple brand licensing business and revenue model

Very close cooperation is required between the licensor and the third parties i.e licensees for a smooth and successful licensing business partnership. Licensee's need to understand the property brand values and the licensing strategy in their respected

categories for the product development process to be efficient and for the product to resonate well with the target customer segment (Sherman 2011, 382). Both licensors and licensees can have multiple different IP's that they manage simultaneously. The property can originate from anywhere in the world and does not affect the overall brand licensing business model. Furthermore, it is not relevant whether the property was firstly created as a motion picture or a book series such as Harry Potter. However, the licensing strategy for the type of property should be in line with the target demography and core markets (Raugust 2012, 29).

In most cases brand licensing business operations generate additional income streams, identifies untapped value in the company's intellectual assets and grow brand awareness in the market. As a strategic solution brand licensing enables intellectual property owners to generate royalty income with minimal business risk and without cost of manufacturing and retail distribution. However, the dependency to the licensees pose a risk of damage to the licensor's brands and loss of reputation with consumers. For example licensor's have very limited ability to enforce product quality control and safety. Therefore, for the licensor the main financial cost is the licensing program administration, which means to monitor and support the value chain and licensed intellectual property (Sherman 2011, 371-373, 381). Licensees main benefit of entering to licensing business is to build their own brand name and piggyback on licensor's existing and recognized brand name. This cuts costs and time in terms of building a brand in-house completely and introducing it to the market. The licensor provides the art and design assets that the licensee can use on products with the guidelines of the brand (Raugust 2012, 14).

## **2.2 Stakeholders**

For more comprehensive understanding of the business model one needs to know the main operators within the value chain. Brand licensing business value chain can be portrayed in a simple format as below with the key stakeholders.



Figure.3 Brand licensing stakeholders

However, the chart can be made more complex by adding the roles of licensing consultants also called manufacturing representatives, brand agencies, distributors, promotion agents and legal consultants. It should be noted that the roles between stakeholders are not always clear as a licensee can also be a manufacturer and a retailer. Brand licensing should create a Win-Win business case across the entire value chain and form long-term relationship. (Raugust 2012, 9, 27.)

The party with the ownership of the property is known as the licensor and therefore licensee is the third party who acquires the license for the IP. Licensors responsibility in the licensing program is to grow and retain the brand property as "current" in the eyes of the retailers and consumers. With extensive advertising campaigns and brand development the brands lifecycle can be extended a limited period. The goal is to establish an evergreen brand. This means that the licensors key task is to serve as the guardian for the IP and understand the entire target consumer segment's values. (Raugus 2012, 3; Sherman 2011, 383; Lewy & Bartkowiak 2011, 30.)

Many licensors have hired licensing agents in various markets in which they are well connected and have required experience to operate in behalf of the licensor. This can mean managing product approval workflows, sales reporting and financials and negotiating licensing agreements. However, the final approval rights are always held by the licensor. For their service agents receive a commission based on the received royalties or in some cases a flat fee payment. Their expertise can help licensor to localise the strategy and execute it in an effective manner. Since agents operate as the local right hand of the licensor they need to be constantly up to date of the property and have knowledge of the short and long-term strategy. (Raugust 2012, 26; Lewy & Bartkowiak 2011, 36; Raugust, 113.)

Licensees work closely with the licensors and with the agent if they are managing the market. Licensees are the product category and manufacturing experts with established distribution connections and channels. In cooperation with the licensors expertise of the property a licensed product line is developed and distributed to selected sales channels. For licensees, the most important factor is speed. This is due to the retail orders and manufacturing schedules. Even a short delay in the product approval process with the licensor might escalate into financial losses. (Lewy & Bartkowiak 2011, 41-42.)

Retailer and especially their buyer's role is to operate between the licensing partners and the consumer. The key of a successful licensing program is to establish a flourishing relationship with the retailers to assure shelf space for the licensed products. In some case retailers require exclusive product lines as their goal is to differentiate themselves from competitors, in this case from other retailers in the same sales channel (Raugust 2012, 25-26). Raugust (2012, 179) summarizes licensing business as business of relationships.

## **2.3 Franchising**

Before exploring deeper, to the brand licensing business on the process level we need to draw a separation to franchising business model. Sherman (2011, 358-359) explains that the main difference between licensing and franchising is that licensor's role is merely to supervise and control the use of the intellectual property assets. In franchising the property in which the property concept owner i.e franchisor requires franchisees to agree on multiple other limitations related to the intellectual property and practises for example to strict operations regulations. Therefore, in franchising the grant of the rights exceed the terms agreed in a standard licensing agreements. For example, globally recognized franchising companies include McDonalds, Subway and Starbucks. Sugar (2006, 79) further clarifies this subject by drawing a separation to licensing by stating that in franchising model you not only sell an individual IP but an entire system as an IP that the franchisees need to use to run their business operations. The franchisee is supplied with extensive documentation and reporting mechanics. In brand licensing the licensee only receives rights to sell certain IP in defined product

categories. Franchise system is built around three crucial compotents which are IP, operating system and strong francisor-franchisee relationship. The Franchisor's IP creates the demand in the market that attracts customers that the franchisee serves with the licensed operating system. The operating system defines the brand promise that the franchisee is required to follow for a successful business. (Sherman 2011, 14).

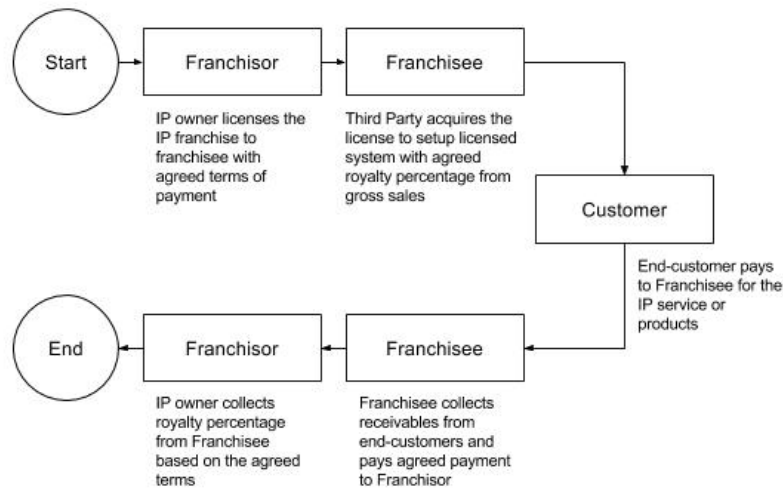


Figure.4 Simple franchising business and revenue model



### **3 Brand Licensing Workflow Segments**

The following chapter contains a deeper insight to each operational segment in brand licensing business from a licensors perspective including a detailed description of the purpose and the mechanics related to the process. The subchapters follow the process flow starting from a licensing program strategy, which then is followed by intellectual property protection, sales management, contract administration, assets and style guides, product development and brand assurance, promotions and marketing campaigns, financial management, operations management and finally brief overview to licensing management softwares.

Raugust explains how licensing business is a marketing function and an effective tool to increase brand exposure, awareness and create additional income streams. Licensors lease the intellectual properties that they own and without the full control and proper management over the intellectual property the brand image can be damaged easily resulting into financial loss. Therefore, the property control and management is the most important responsibility of a licensor. The number of personnel needed to administer the licensing program depends on various factors e.g the size of the program and distribution of responsibilities (Raugust 2012, 9, 17, 111.)

#### **3.1 Licensing Program Strategy**

Before entering to the licensing business, the company should evaluate their intellectual property and build a licensing program strategy. The strategy should clearly define the intellectual property, target and key markets and end customer segments, guidelines for preferred licensees and the short and long term performance targets. Lack of detail in the licensing program strategy can escalate into over saturation of licensed products in a market meaning that an error had been made estimating the demand. (Sherman 2011, 373). The strategy objectives can be to introduce, relaunch or reposition the brand IP in the selected markets or for example increase brand awareness in marketplace. Strategy is built from the basis of the licensed property attributes. Attributes describe the overall values that help selecting the target markets and demographics. A competition analysis is also needed for differentiation between other sold licensed

products. The demography group can be "children" but in some cases, even a more narrowly segmented split is needed e.g preschoolers, teens or tweens (Raugust 2012, 91). In licensing strategy, the focus product categories such as apparel and toys are defined but the licensor may want to explore also other property licensing options that might translate into product premiums, retail and restaurant or even entertainment vehicles like live-shows (Raugust 2012, 3).

It must be understood by the licensor that typically the consistent flow of revenue from licensing can be achieved in minimum of two years. Best partnerships are achieved by all parties; licensor, agents and licensees understanding each others strategies and objectives. One benefit of a successful licensing program can also be to cross-promote property products in other channels. This could mean new customers on digital games as they have been introduced to the characters via merchandise or in some cases create a completely new target audience as in SpongeBob Squarepants case which was originally targeted for young children but soon the merchandise became popular in young male adults' demography. Therefore, a reposition strategy was needed and implemented. (Raugust 2012, 9, 12-13, 106.)

When evaluating the IP, it is highly important for the licensor to remain objective and realistic of the demand and IP targets. This can be assured by hiring an independent consultant to conduct a market study. Based on the findings of the IP potential licensor can set financial targets and a forecast. The results can also be used to improve sales negotiations win rate (Battersby & Simon 2012, 61-64). The cost of the business operations for licensor is to continuously develop the brand according to the licensing strategy and keep it "fresh" since otherwise licensor risks retailers and consumers to move to the next "hot" intellectual property which is a sign that brand is losing value and might escalate into licensees abandoning the brand property (Raugust 2012, 16, 18-19).

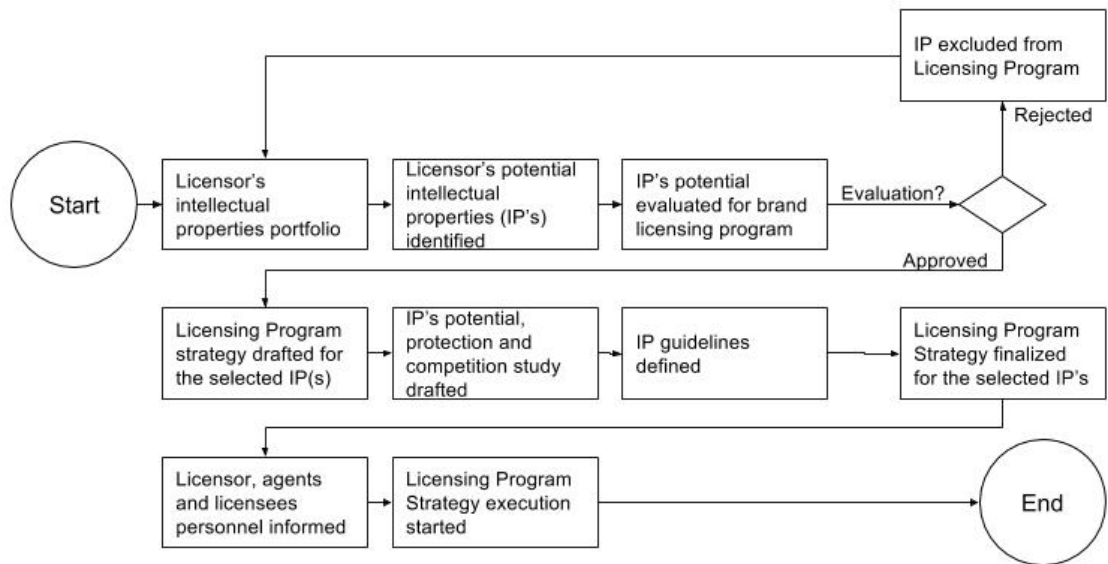


Figure.5 Brand Licensing Strategy Workflow

### 3.2 Intellectual Property Protection

In brand licensing, most intellectual properties are protected as trademarks or copyrights. This process is also enforced by many licensees as they typically require that the IP is protected against unauthorized use before signing the licensing agreement. Preferably before or during the licensing strategy building phase the intellectual property should be protected against potential infringers and to enforce credibility between partners. Protection in this context stands to legally possessing the ownership of the intellectual property and the elements related to it such as logos and designs with a registered trademarks or copyrighted registrations. The trademarks are applied per category i.e classification and can be very time consuming and expensive since each trademark needs to be also registered by per individual countries or regions such as European Union. The proactive property protection is crucial for the licensor to have advantage on any infringement cases and to assure long term licensing operations. (Battersby & Simon 2012, 73; Raugust 2012, 23.)

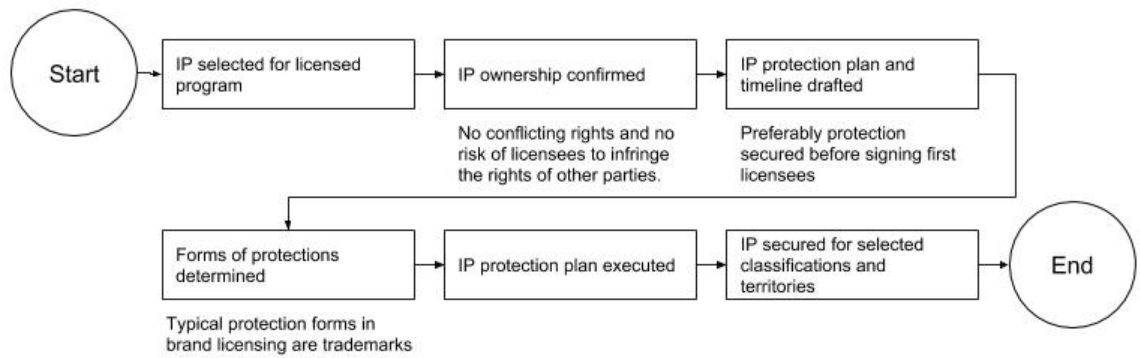


Figure.6 IP Protection Workflow

The process of securing a trademark in brand licensing is very time consuming and expensive. Firstly, the application needs to be issued to selected classifications and the 45 classifications are product category based. A trademark can consist of words, brand names, character designs, phrases, symbols or any combination. In terms of the trademark application process a conflict check before proceeding to trademarks application should be performed before the actual filing. As for the selecting the product category classifications they need to reflect the intended long term licensing program strategy. Once the trademark application has been issued the licensor can use <sup>TM</sup> symbol in their licensed products. The ® symbol states that the names and so forth have been registered with the Patent and Trademark Office. Therefore, the difference is that <sup>TM</sup> symbol can be used once applied and ® symbol once the application has been confirmed and approved by the officials. All trademarks must be registered individually to each country, exception being regional registration for EU. Common guideline is to start registration process a year and a half before the licensing program is launched. (Battersby & Simon 2012, 75-78; Raugust 2012, 153-156.)

Registering trademarks comes with responsibilities for the licensor to maintain the protected rights for the included elements. All products sold under the registered trademark will need to be traceable to the original application and therefore back to licensor. Without this, third parties could argue that the licensor relinquished its rights since the products are not identifiable with the IP. Failing at monitoring the quality of the licensed products could result in the loss of trademark rights. Trademark registration allows the owner to pursue legal action in IP infringement cases in addition to stop importation of infringing or counterfeit licensed products. After filing the

application, it can be either rejected or approved by the authorities based on the requirements. Trademark registration are valid for 10 years from the date of the registration and can be extended unlimited times with proof of use of the trademark. (Battersby & Simon 2012, 75-78; Raugust 2012, 153-156.)

Copyright protection is easier and cheaper procedure than trademark registration as they are valid upon creation of the copyrighted work. The owner of the created work does not need to make any actions to protect the created IP. However, it is recommended to register the copyright in the Copyright Office especially if the property will be used in licensed products. The difference to trademark is that the copyright only covers the design of a logo or image but excludes all written portions and the idea behind the original creation. The terms of the copyright are different based on the type of content and considers the time of the creation origin and whether it was published. Typically, the term is 70 years on top of the life of the author and as for companies 95 years from publication or 120 years from creations. The symbol © identifies the copyrighted work. (Battersby & Simon 2012, 79-82; Raugust 2012, 153-156.)

Once copyrights expire, they are considered public domain which means that anyone can use the property. Trademarks can also become public domain, but only if certain terms are met. These terms are for example owner abandoning the trademark meaning the registered property was not used actively, trademarked name was allowed to be used in general context by the trademark owner or licensor did not take any actions against infringement cases. "Yo-yo" is an example case of this, which was a former trademarked property name that returned to public domain as it became a generic description of a toy category instead of a protected brand name. (Raugust 2012, 153-156.)

Counterfeit products are a massive problem for all licensors and licensees because they lower the brand and property value in general as well as cause problems in retail and effect the potential revenue from actual licensees. From media's perspective, the counterfeit products are often confused with piracy and infringement products. The difference is subtle but very important for the licensing business operators. Infringing

product means that an actual licensee is selling outside their rights for example in a wrong territory as in piracy products are completely manufactured by an unauthorized party. (Raugust 2012, 181-184.)

Usually these cases are brought to licensor by the licensees as they operate closest to the marketplace and have more visibility over the competition. Depending on the IP's popularity the resources to run the anti-counterfeit program can be a full-time job since it is IP owner's responsibility to protect and monitor the use the IP and assure licensees business success with licensed products. Counterfeiting is a crime and should be treated with aggressive actions by the licensor as it is risking IP identity, good will and values. Most effective way to tackle this issue is to have IP protection active and well managed across all territories associated with the licensing program. An anti-counterfeit program administration means identifying unlicensed products and acting against the manufacturers. A pro-active operation also includes trying to prevent the counterfeit products from entering the markets through customs. Anti-counterfeit program main function is to send a message to potential violators that the property is actively managed and protected. Anti-counterfeit program increases consumers trust to the brand property and increases the IP lifespan. The information is gained by closely observing the marketplaces and acting quickly in clearing the unlicensed products and educating manufacturers, retailers and even consumers. Usually the licensees are contractually required to notify the licensor if any suspicious information is brought to their knowledge. (Battersby & Simon 2012, 213-214; Raugust 2012, 181-184; Sherman 2011, 379.)

In addition to above protection measures licensors typically also run actively a so called audit program. The main purpose of an audit is to confirm that the licensee has performed accordingly to the license agreement terms and obligations. This stands for sales of approved products, timely sales reporting and payments including the verified sales amounts from licensed products. This assures that both licensor and licensee have mutual understanding of the business relationship. The rights for audit are important part of the license agreement and grants the rights for the licensor to inspect the licensees books and records. The audit can usually be conducted by the licensor or an auditor of their choosing. The license agreement also includes the procedures for any

foundings from the audit and the obligations between parties. Licensor usually orders an audit for the licensee in the first years of doing business and before the term expiration. Typically, either licensor or licensee has misunderstanding of the definition and terms relating to the payment method e.g royalty percentage from net sales. The audit can be specified to focus on only selected themes such as financials, products and quality or sales management (Battersby & Simon 2012, 191,195,201-201).

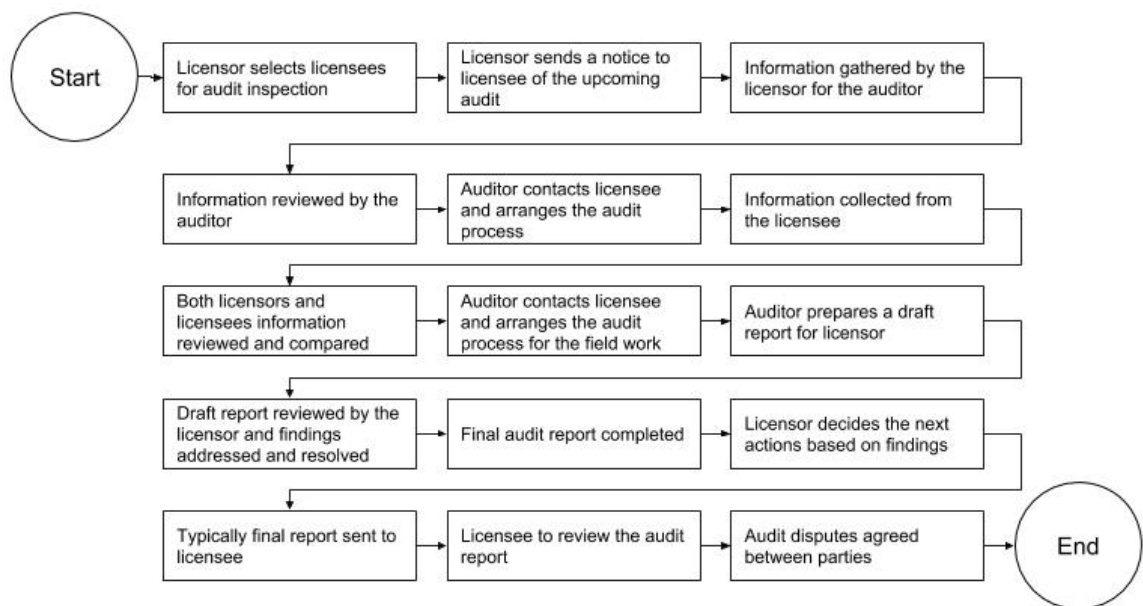


Figure.7 Audit Process Workflow

### 3.3 Sales management

Once the intellectual property has been protected and the IP's licensing program strategy has been finalized and shared internally sales process can officially start. Before proceeding with a prospective licensee, a market research should be conducted which includes market potential, due diligence and confirmation of the brand protection (Sherman, 373).

In the start of the conversation with a licensee prospect a confidentiality or in other words a non-disclosure agreement (NDA) might be required to ensure secrecy when presenting the IP and the business opportunity. However, it should be noted that if the property is legally protected the NDA might be seen as pointless by some licensees. (Raugust 2012, 179). Especially close look needs to be taken into the potential partner's

financial strength, distribution channels, manufacturing capabilities in terms of product quality and company's reputation before proceeding in the negotiations (Sherman, 373). It is typical that a licensee evaluation form is requested from the prospect that can then be used for a background check (Raugust 2012, 97). Furthermore, a due diligence on potential double licensing should always be conducted (Sherman 2011, 373).

It is highly important that two licensees with same distributions channels and rights to same product category do not end up in same retail shelf space and overlap, which would cause competition between partners. Double licensing should be avoided since it causes harm to licensee's network if it's competing with another licensee in the same product category which also affects the retailer's perception of the products quality. The retailers' reaction might result to smaller orders or even complete rejection of the licensed products. (Raugust 2012, 167-171; Sherman 2011, 381-382.)

After the NDA and potential licensee evaluation form the negotiations usually move to a phase called deal memo negotiations. Deal memo is a deal-point memorandum that defines the main commercial details and terms of the upcoming license agreement. The use of a deal memo can save precious time in product development and assure on-time market launch while the official license agreement is being finalised. If deal memo is used the main area of discussion is the grant of rights of the intellectual property. The grant of rights is the core of the license agreement which outlines the licensed properties, product categories, territories and distribution channels in return for a negotiated payment among other crucial terms for business. Usually territories are specified as individual countries for maximum control for the product. It is typical that the payment method is a minimum guarantee that is recoupable against a royalty percentage of manufacturer's selling price of each unique product. This will be further explained in the financial management chapter 3.8. The use of NDA, licensee evaluation form or a deal memo depends on the licensor's processes (Raugust 2012, 3, 167-179).

Once the terms have been agreed by the parties, licensor and licensee enter into a license agreement which is drafted based on negotiations and the used deal memo



terms. Typically, once the contract is fully executed the licensee pays an advance which is a percentage of the set recoupable minimum. As stated earlier the licensing program can operate on a global basis from the beginning but if the property is not recognized by the consumers in the market the products won't sell, which will follow to unsatisfied licensees and retailers. In order to maintain the market demand, licensors need to constantly update the core property and work with their licensees to create new products lines, promotional activities, marketing campaigns, and other programs to keep the intellectual property relevant in the eyes of the retailers and consumers. (Battersby & Simon 2012, 104-106; Raugust 2012, 3,19,36, 191.)

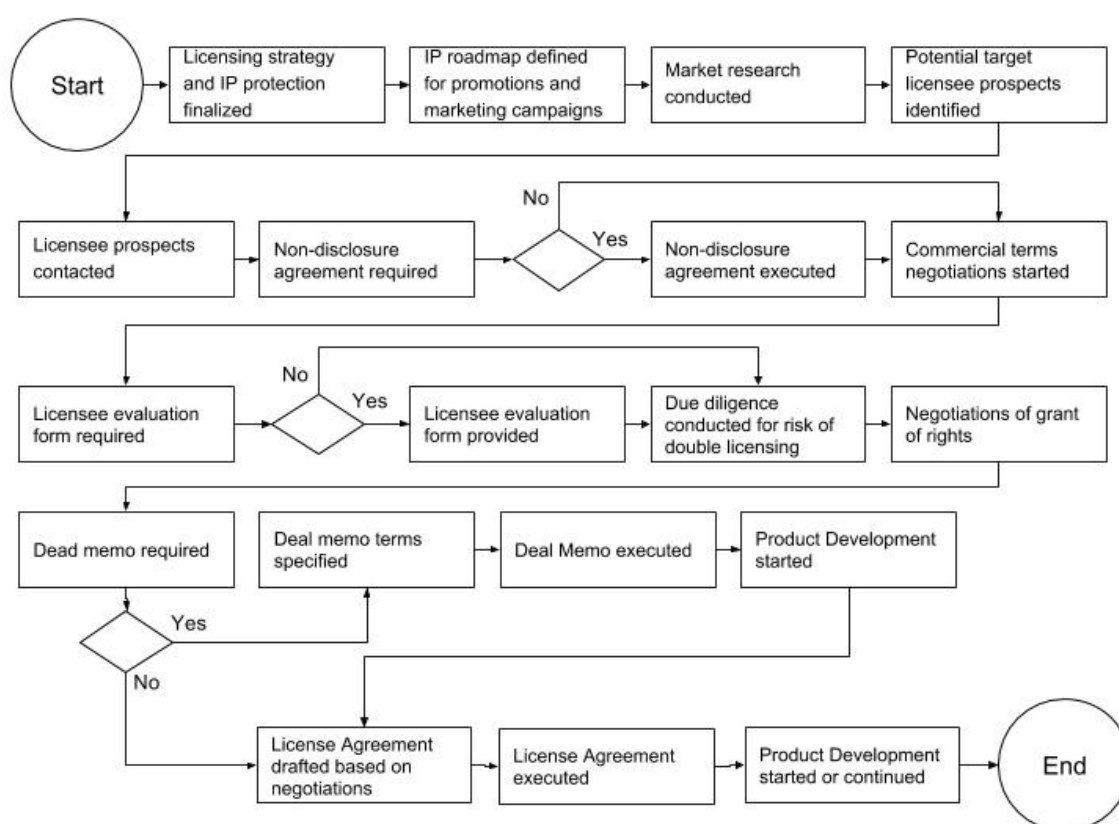


Figure.8 Sales Process Workflow

### 3.4 Contract Administration

During the sales process the key commercial points are negotiated and placed in deal memo or term sheet as explained previously. Once all commercial details have been agreed upon the actual contract administration process can begin. In many cases licensors start from a standard boilerplate agreement that has been created to assure a

smooth contract finalization and a starting point for licensee to understand all the demands of the licensor in contractual aspect. (Sherman 2011, 380).

The contractual challenge is that the license agreement differs a lot between the licensor's licensees. This is because the negotiations process is very flexible and a win-win solution is something that both parties aim for. Legal personnel are usually involved in the process and provide support. (Battersby & Simon 2012, 103)

The most important goal of the licensing agreement is to ensure both parties; licensor and the licensee to agree to their respective roles and the responsibilities related to the business deavour. The timing is of the essence for every licensing program. The length of contract negotiations might take longer than expected which will affect the product approvals schedule and the manufacturing of the products for retail and risk of reaching the target launch date. The full production might take from few months to a year depending on the partner, product category, manufacturing locations and distribution method to retail. Close to the license agreement term expiring the licensee's performance is evaluated and a renewal agreement is pursued if there is a valid business opportunity to continue operations. In case the contract expires or is terminated for any reason the licensee is obligated to dispose all licensed products from inventory during an agreed period called sell-off. After this period the licensed product are not allowed to be sold to market. (Raugust 2012, 99-100, 174-175.)

### **3.5 Style guides and Assets**

During the process of building the brand strategy, licensor develops a graphic look for the IP. Graphic look and the guidelines are then given to the licensees in a form of a style guide and other materials e.g graphical assets that are used to develop the licensed products. The style guide consists of guidelines for allowed logos, likeness, signatures, design variations, and packaging guidelines. On a detail level the style guide outlines the use of colours and correct use of of graphical assets. Licensees are required to develop products that follow the given instructions. In some cases, additional style guides are created to provide seasonal or other design variety to the brand. Continuous development process of style guides is crucial for the intellectual property to stay

relevant and fresh in the eyes of the retailers and consumers, which means that the licensed products need to evolve over time. This can be done by creating seasonal product lines and by changing the colorways and design elements e.g bright and abstract. Once the style guide and assets are finalised they can be shared with the licensees and the product development process can be started. There are several available solutions for the licensors to share materials online in a secure manner (Raugust 2012, 23, 104, 111,164.).

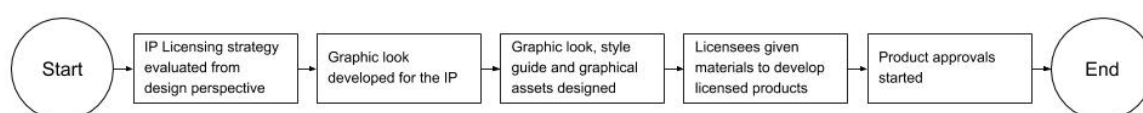


Figure.9 IP graphical look workflow

### 3.6 Product Development and Brand Assurance

Licensors have the full rights to control their IP usage in licensing program and to further extent approve or deny any designs or other elements such as packaging, labeling and advertising materials from reaching retail shelves (Sherman 2011, 378).

As mentioned earlier in this chapter licensee is required to receive an official approval for each licensed product from the licensor. The time that the product development process takes varies between licensor, product category and partner and required close interaction between the parties but usually there are defined steps or stages that each design needs to go through before the final approval is given (Raugust 2012, 172). The approval process is usually done in stages which typically are concept stage (drawings, models), the pre-manufacturing stage (prototypes) and manufacturing stage (final production samples). The challenge in the workflow is to have the approvals completed by the launch dates and retail shipment dates. Licensors usually have a contractually set response time and are well known of the strict and time consuming approval procedures. (Raugust 2012, 24).

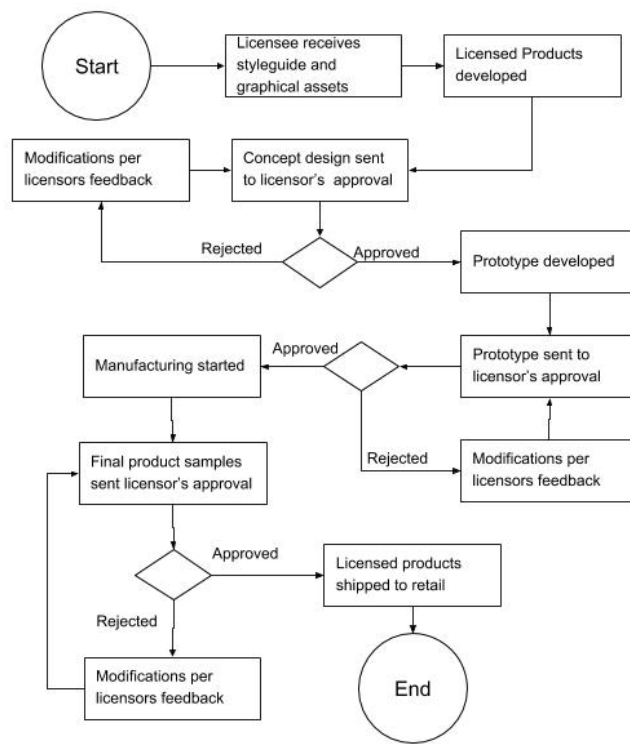


Figure.10 Licensed Products Approvals Workflow

The licensor, licensees and agents' personnel need to be trained with the style guides to understand the IP and the overall strategy in detail. This assures a smooth approvals workflow and that products embody the brand's core values. (Sherman 2011, 382, 385). Usually the main objective of the licensed products is to differentiate it from the non-licensed products. "Logo-slapping" is a result in which a licensed property has only been put to the product for visibility without any other additional modifications. (Raugust 2012, 95). For licensees, it is important to understand the IP's brand promise, positioning, and values that need to transcend to the licensed products. The finished product needs to resonate well with the end-customer (Sherman 2011, 382). Licensed products should make sense in terms of the IP values. But even if that is the case, in some occasions the consumers simply do not find the products attractive. This is a problem for the retailer as the product does not move from the shelves. (Raugust 2012, 21).

The main challenges in the product development phase is the ability to control product quality and the dependency on the licensee's skills, abilities, and resources (Sherman 2011, 372). The best results can be achieved by combining the licensor's expertise of

the brand and licensee's knowledge of the product category. Many portions of the approval process can be automated with systems and done in the internet. However licensors still need to view the product designs and samples at various stages. (Raugust 2012, 15, 164.)

### 3.7 Promotions and Marketing Campaigns

The most effective way to keep the IP relevant in the market is to have continuous marketing and promotions program that increases the awareness and customer interest and sales. The marketing funds can be collected as part of the licence agreement as marketing fee. The marketing fee is typically additional royalty percentage from net sales. The fund is then pooled together and used for a common marketing or promotions program which serves all licensees in the market or globally. (Battersby & Simon 2012, 169)

Both licensor and licensee should synchronise their marketing activations schedules to create the best outcome. Therefore, the responsibility to successfully launch a licensed product line is divided between the two stakeholders. However, all the advertising and marketing materials and plans need to be reviewed and approved similarly to licensed products by the respectful licensor. In some cases, licensors proactively engage marketing activations with selected partners. Usually the common marketing fund is used to create such events. (Raugust 2012, 25)

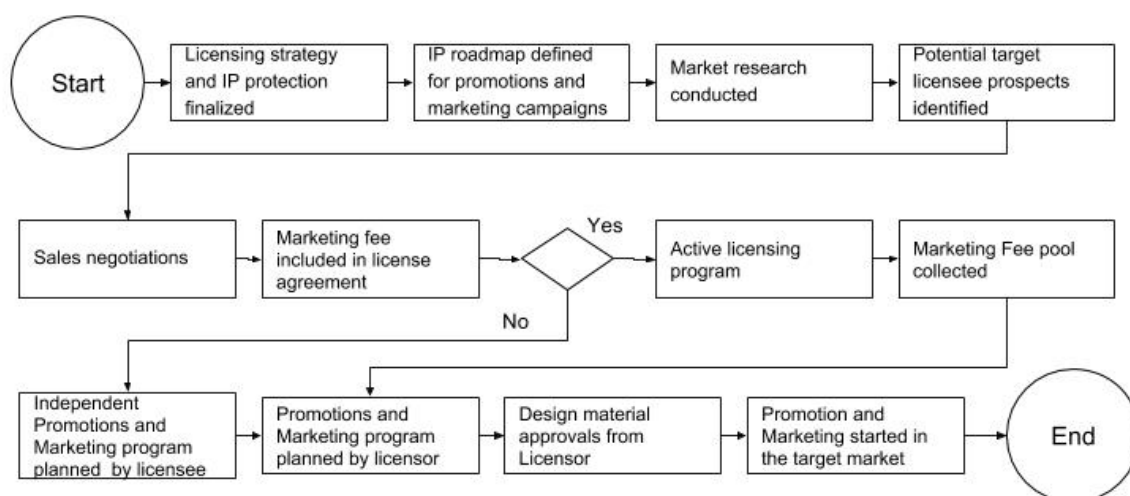


Figure.11 Marketing and Promotions

### **3.8 Financial Management**

In terms of the financial obligations for the licensee, the licensing agreement defines the cost model, which usually is a royalty percentage based payment structure of all net sales of the licensed products. However, the royalty payment definition can differ between agreements. The licensee should always confirm the calculation formula for the royalty as it can be based on gross sales, net sales, net profit or even fixed flat fee per product sold (Sherman 2011, 377-378). To further demonstrate different royalty rate types the net sales definition can be replaced with for example retail price or flat fee, freight on board percentage (FOB) and incorporate graduated royalties which are called royalty thresholds (Raugust, 143-148.).

In addition to minimize business risk for the licensor and to encourage licensee to sell actively during the contract term all royalties usually accrue against the guarantee amount or in other words recoup against the set minimum guarantee. To further clarify the licensees are always required to pay the licensors the minimum guarantee in full regardless of the total sales amount. Often once the contract is fully executed the licensee pays an advance which is a percentage of the set recoupable minimum guarantee (Raugust 2012, 3,19). Usually licensees are expected to exceed the set guarantee during the contract sales period. After the guarantee has been exceeded the licensee pays licensors the royalties of the exceeded amount i.e overages (Raugust, 135). In some cases, the licensor might also split the minimum guarantee to specific intellectual properties, product categories or territories to assure active sales in all specified categories and countries. With this model, licensees can not fully recoup the guarantee with a single product line or sales in one territory (Raugust, 140, 143).

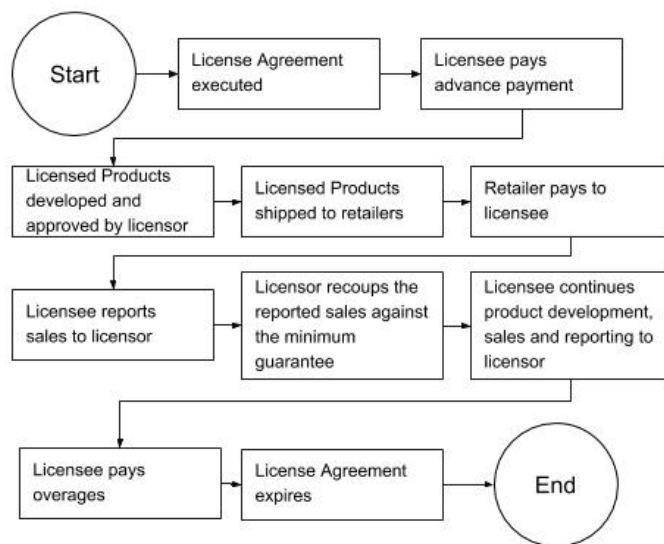


Figure.12 Financials Management Workflow

The main function of the licensing finance team is to collect royalty reports from the licensees on a monthly or quarterly basis and manage the invoicing process to assure that the royalty payments and guarantee instalments are paid in a timely manner. (Sherman 2011, 377-380). If licensee does not report or there is a drop in sales the finance team should be the first to report the significant change in licensed products demand on the market, which should trigger corrective moves to increase brand awareness. (Raugust 2012, 21.)

### 3.9 Operations Management

In the operations management, the main function is to monitor the execution of the licensing strategy and measure the program performance and progress (Sherman 2011, 372). One important function is to set up a workflow that assures that the licensee remains in the limit of the grant of rights and the transparency with different parties to work on their best performance with the tools needed. (Raugust 2012, 148). Significant risk for licensor is to lose the control of the intellectual property from design details to product quality to sales and distribution. The worst-case scenario is licensee to be selling unauthorized products in outside granted territories and prohibited channels e.g discount channel and in result, decrease the value of the brand. (Raugust 2012, 17). Failure in monitoring the licensing program can harm the licensing property on a major level. Operations focus is to evaluate the distribution of the products and the

quality of the product in terms of the grant of rights (Raugust 2012, 29). The flexibility in the current licensing business model makes it even more important for the operations team to have tools and capabilities to monitor all different licensing agreements (Raugust 2012, 152). Administering a licensing program requires additional resources in which the main responsibilities is in account management.

### **3.10 Licensing Automation Softwares**

Nowadays it is common for licensors to have a rights management system which allows them to share assets and other materials electronically. Internet, email and various enterprise software packages streamline the complex process and make the speed of sharing information faster. In most cases, licensors have a secured software that partners can access via website browsers and download granted materials such as style guides and sales documents. E-mail is still used commonly as a communication tool. Royalty and licensing management softwares can take time to set up but once implementation has been completed the management becomes easier. Negotiations can also be managed online but still human interface is required to perform the actual negotiations phase. Only the details can be recorded and shared for further analysis. The automation however will never completely replace face-to-face meetings and human interaction. Only the speed of information exchange can be enhanced. (Raugust 2012, 111, 164, 186).



## **4 Practical Portion**

The following chapter describes the project as an entity and the process that was followed to finalise the thesis that is presented hereof. First subchapter layouts the project plan that was followed throughout the writing process and the second subchapter contain a description and a manuscript of the result workflow mapping of this thesis project.

### **4.1 Project Plan and Timetable**

The subject of conducting a thesis project was started with a preliminary project plan. Out of professional and personal curiosity the subject was suggested to the client whom gave approval to proceed with the scope and target. The idea in the beginning was to research for the source literature and potentially select the most fitting to this subject of brand licensing business operations. Interviews were thought as a potential source for information if the reference material would be proven inadequate. It was clear from the start that extensive library of notes would be needed to compile a reference bullets to design the end-to-end workflow map. From experience, I knew that it is better to have as much information as possible in form of notes and mindmaps before starting the actual mapping process as otherwise one might end up starting from the beginning several times due to new information that was not first considered to be included in the workflow mapping.

The execution of this thesis began as planned with the research. Along the way the targets were further clarified with benefits that this thesis project would provide with the workflow map. It was surprising that only a handful of books had been published on the subject, which were then purchased by the author of this thesis project. It may be that the brand licensing as a business model is discussed in either brand management or general licensing books but the latter seemed to focus mainly in the software licensing models. Only a few sources addressed the subject of the actual work operations and tasks involved in the processes and that is the rational why these authors are mainly referenced throughout the thesis bodytext. However, the points needed for the workflow were scattered across the books and therefore it was

challenging to find and recognize the pieces needed for the end-to-end workflow map. From all the references researched and found for this thesis project none of them explained the practical work steps required to manage a brand licensing program and how they are connected.

The source books were read once without any notes for clear understanding of the contents. It was noticed that the system automation was not described in any of the source literature and therefore the scope was changed to only focus in the actual process instead of considering only system supported operations. A list of notes were compiled during the second round of reading the brand licensing literature, which included the page references to the source material. Once the second round was completed the library was organized per topic. This is where the plan was changed as the first thought was to start the mapping phase based on the notes library but it was decided that the details were easier to pinpoint from the thesis bodytext itself. The most time-consuming portion was to compile a clear bodytext with correct references. "The licensing business handbook" was the most exact in terms of the operations and that is why most references are to Karen Raugust's book. The development of this project did not require officially documented project plan and therefore the approach was natural.

The workflow mapping phase was conducted based on the author's notes and the thesis bodytext. Firstly, each chapter in the business model were studied whether a process map would create additional value to the reader. Secondly the main objective was to split the end-to-end process workflow to individual process charts based on thesis chapters that would then be compiled to a single end-to-end workflow chart. The mapping itself was challenging due to several decision points and processes that existed simultaneously.

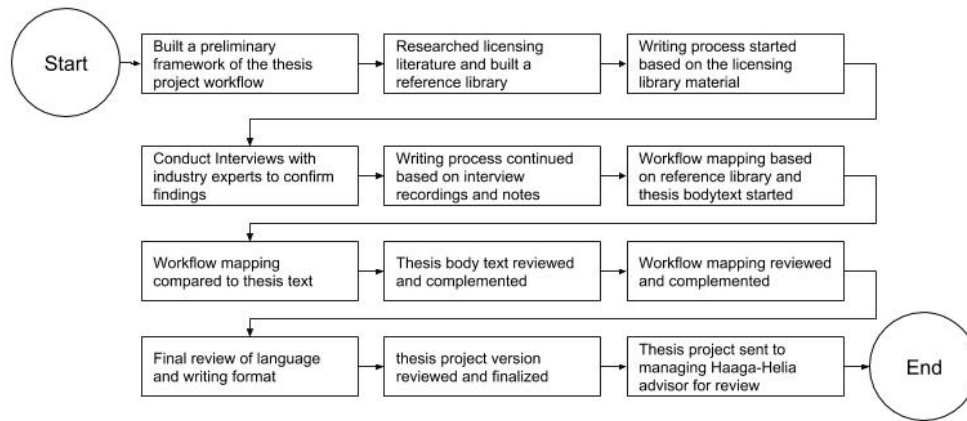


Figure 13. Thesis writing workflow

## 4.2 Result "Brand Licensing Workflow Map" (Produktituotos)

The final workflow map and the result of the thesis project in the attachment.1 "Brand Licensing Workflow Map" is very extensive and to ease the reading process it was decided that a manuscript of the process would be beneficial to be added on the thesis. Therefore please find below the step-by-step instructions and the end-to-end chart in the attachment.2 "Manuscript for the Brand Licensing Workflow Map".

## 5 Conclusion

The following chapter summarizes the results and offers the conclusion. The thesis project was initiated from a professional curiosity to learn the licensing business model and learn of the possibilities of integrating the processes to system automation environment to maximise efficiency. However, the original target could not be filled as the available source literature did not provide efficient amount of theory and text to support the original thesis goal. The goal was adjusted to have a full end-to-end workflow chart based on the public literature from brand licensing and it was achieved. Personally, I expected to find more information of the processes and examples but due to the nature of the business it seems that the business model has not been documented on efficient level as it is cyclical and every IP is unique. I was also surprised that there were no documented process charts to support main goal of this thesis in any of the references found during the research phase.

### 5.1 Results

To further extend the thesis project was started from a professional curiosity to learn how the brand licensing operations are managed on a global basis and what are the standard practises. The mapping process was very educational and the information gained from combining the theories did result in a coherent understanding of the brand licensing business model on a detailed level. During the research, no process workflow maps related to brand licensing practical work and steps were discovered therefore it will be interesting to see if this thesis project will resonate among the industry and brand licensing community.

The need for the thesis project was to create a standard licensing business workflow map that the client could compare to its operations. Client's wish was to remove potential bottlenecks and redundancies from the existing process and improve the overall business operations efficiency. Internet has enabled many enterprise software packages to streamline the complex process and make the speed of sharing information faster. It is very unlikely that system automation someday completely replaces human interaction due to the nature of the business. (Raugust 2012, p. 111).

The practical portion and the licensing business process map will be most useful to the readers whom can compare their operations to the business model standard findings. Hopefully this thesis will also offer a holistic overview to any reader who is interested in the brand licensing business and its operational mechanics. The licensor perspective gives interesting insight to how entertainment companies operate in terms of merchandising their intellectual properties. For visual person the workflow map can be the best way of understanding the entire chain of actions required to make intellectual properties transform into physical products.

## **5.2 Source Material**

The printed books served as the main sources of information for this thesis project and for the licensing workflow mapping. Especially during the writing and process mapping phase two authors were highly influential in forming the workflow map steps. First one being Karen Raugust, the author of the Licensing Business Handbook and the authors Gregory J. Battersby and Danny Simon, the authors of Basics of Licensing. The publications were found on Amazon and purchased by the author.

As mentioned earlier none of the found source literature focused on addressing the practical work in form of a workflow chart and the information of the steps were found scattered throughout the books. This made it challenging to compile an end-to-end workflow chart as there were no previously published example to compare against.

## **5.3 Recommendations and learnings**

The workflow map importance in this thesis should not be overlooked as it can be used as a general comparison template to map individual company's brand licensing workflows. Christof Binder and Heinz Ramseier in "23 Rules for successful brand licensing" state that one of the most typical pitfalls is the process control. The author recommends that workflows should be mapped by the brand licensing industry support organisations to serve as a guidance of the best practises. However, as each licensor organization is different it should be also within their interest to update the workflow to match their licensing operations workflows. On a general level, each

segment could also be researched to compile even more detailed mapping of the processes involved and tasks required to manage the workflow.

The challenges in the writing process were the limited information available but luckily the content of the few books contained the required operations descriptions. However, the source books were mainly written in a way to explain how to start a brand licensing program and what the contracts should hold. The detailed operations descriptions were included but not in a workflow type of manner. The major issue however was that the author had to both educate the reader of the brand licensing business mechanics in addition to map the steps of the workflow.

Before embarking on this thesis project journey, I was very familiar with the international licensing business model from the professional standpoint. I had learned about different models and processes while working in the brand licensing business and had been fortunate to be involved in many development projects. However, the curiosity to differentiate the client's specific methods to brand licensing business standard operations were intriguing as they served a purpose to help the company to reach next level. Personally, I consider this thesis project to be very educational and helpful to understand different connections between the process stakeholders. The gained knowledge of transforming processes into workflow maps will make any next project easier to implement and find the touchpoints where the change will occur.

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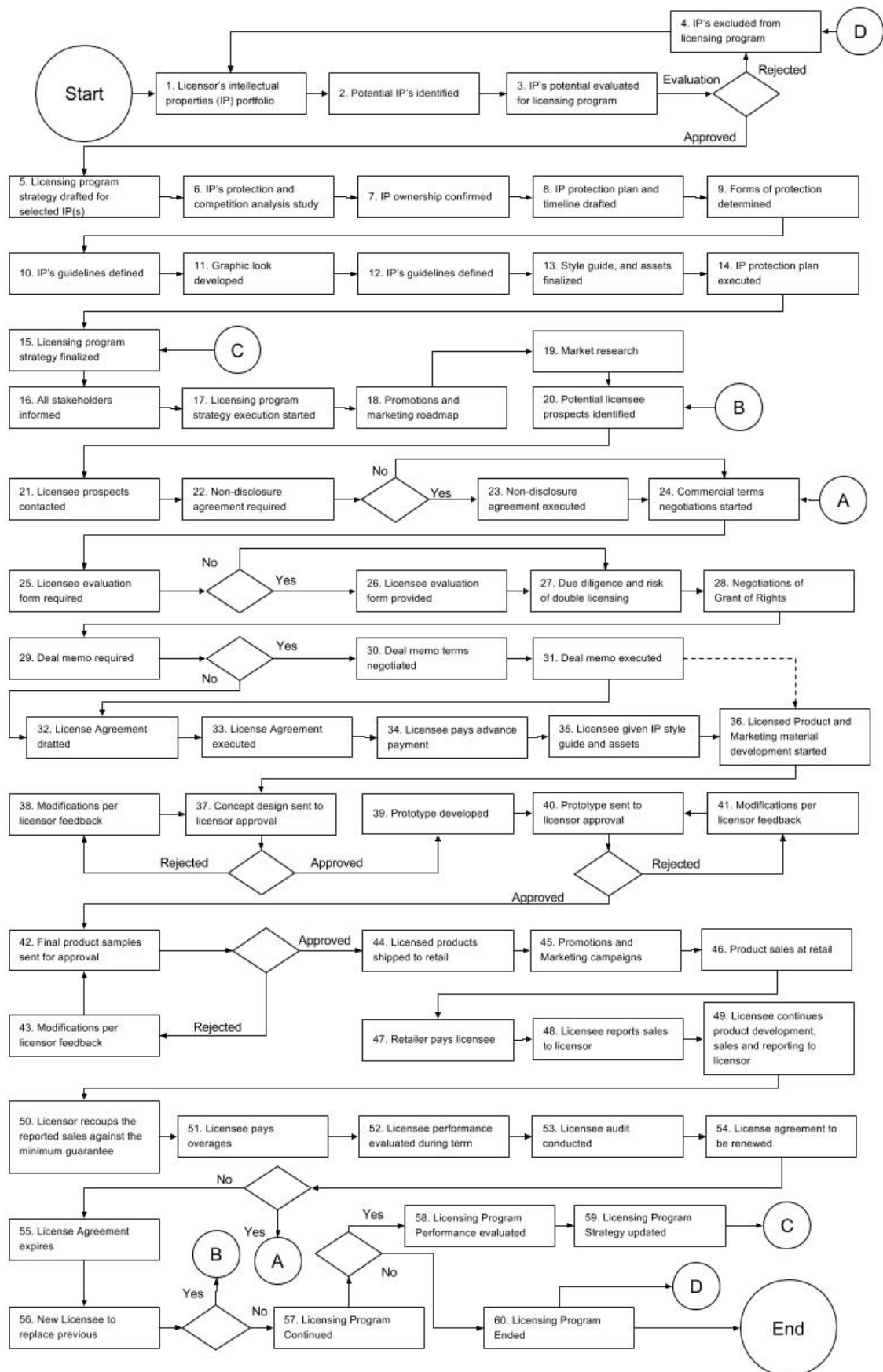
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# Attachments

## Attachment 1. Brand Licensing Workflow Map



## Attachment 2. Manuscript for the Brand Licensing Workflow Map

1. Licensor's intellectual properties (IP) portfolio: List all intellectual properties owned by the company
2. Potential IP's Identified: Identify from the portfolio the IP's for brand licensing opportunity evaluation
3. IP's potential evaluated for licensing program: From the listed IP's evaluate potential IP's for brand licensing or merchandising
4. IP's excluded from licensing program: Reject IP's which do not make sense or don't fit for brand licensing program opportunity
5. Licensing program strategy drafted: IP's that have potential for brand licensing program begin drafting a strategy.
6. IP's protection and competitions analysis: Create a plan of requirements to protect the IP in the target markets and compile a competitor analysis of similar properties in the market
7. IP's ownership confirmed: Confirm the ownership of the selected IP
8. IP protection plan and timeline drafted: Create the plan and define a timeline to protect the IP
9. Forms of protection determined: Decide which type of protection forms are needed and relevant
10. IP's guidelines drafted: Begin drafting the brand licensing guidelines
11. Graphic look developed: Create the graphical look and digital assets needed to be given to licensees for developing licensed products
12. IP's guidelines defined: Determine the restrictions of the IP and guidelines for the usage of the IP
13. Styleguide and assets finalised: Finalise the style of the digital assets for passing them to licensees after licensing agreement executed
14. IP protection plan execution: Start the execution of the previously set plan
15. Licensing program strategy finalised: Complete the IP strategy documentation
16. All stakeholders informed: Present and share the IP strategy to internal personnel, agent and licensees
17. Licensing program strategy execution: Start the execution of the previously set-up strategy
18. Promotions and marketing roadmap: Define the roadmap and schedule for the IP promotions and marketing activities in the target market
19. Market research: Compile a list of companies operating in the target market
20. Potential licensee prospects identified: From the list created previously identify the potential licensees whom fit to the IP strategy
21. Licensee prospects contacted: Contact the potential licensees and start conversations for licensing partnership
22. Non-disclosure agreement required: If required by your company prepare an NDA document
23. Non-disclosure agreement executed: Have the NDA fully executed by both parties and move to next step
24. Commercial terms negotiations started: Start negotiations of the grant of right, product categories, territories and other relevant commercial terms
25. Licensee evaluation form required: If required by your company provide licensee an evaluation form to be filled
26. Licensee evaluation form provided: Licensee submits the completed form back to licensor
27. Due diligence and risk of double licensing: Review the evaluation form and determine next steps
28. Negotiations of grant of rights: Negotiate win-win terms with potential licensee that fit with the IP strategy
29. Deal memo required: If deal memo required by your company draft the document and send to licensee
30. Deal memo terms negotiated: Finalise the deal memo with the prospect
31. Deal memo executed: Have the deal memo signed by the licensee
32. Licence agreement drafted: Based on the information from the deal memo prepare the license agreement draft
33. License agreement executed: License agreement fully signed by both parties
34. Licensee pays advance payment: After signing the license agreement the licensee pays the minimum guarantee advance
35. Licensee given IP and assets: Licensor shares the IP guidelines and digital assets to licensee
36. Licensed Product and Marketing material development started: The licensed products development started by the licensee
37. Concept design sent to licensor approval: Product concept designs sent by the licensee to licensor for review
38. Modifications per licensor feedback: Change requests of the concept sent back to licensee by licensor
39. Prototype developed: After approval of the concept stage, licensee develops a prototype product
40. Prototype sent to licensor approval: Prototype sent by the licensee to licensor for review and approval
41. Modifications per licensor feedback: Licensor sends back change requests of the prototype to licensee
42. Final product samples sent for approval: After approval of prototype stage, licensee starts manufacturing process and sends production samples to licensor
43. Modifications per licensor feedback: If changes required licensor sends feedback to licensee
44. Licensed products shipped to retail: After approval of production sample licensee begins the shipping processes
45. Promotions and Marketing campaigns: Activities are executed accordingly as planned at the target markets
46. Product sales at retail: Licensed products are sold at retails after approval of the production samples
47. Retailer pays licensee: Retailers pays the licensee based on order requests
48. Licensee reports sales to licensor: Licensee submits sales reports to licensor
49. Licensee continues product development, sales and reporting to licensor: Periodically licensee sends sales reports to licensors while developing new licensed product ranges to retail
50. Licensor recoups the reported sales against the minimum guarantee: reported sales are validated and recouped against the minimum guarantee
51. Licensee pays overages: Licensor issues an invoice of the minimum guarantee overages
52. Licensee performance evaluated during term: Licensee progress and performance are reviewed periodically throughout the agreement lifecycle
53. Licensee audit conducted: Licensor might issue an audit to licensee's records
54. License agreement to be renewed: Based on performance the license agreement can be renewed for a new term
55. License Agreement expires: If no renewal agreement is made then the original agreement expired by agreed active terms
56. New Licensee to replace previous: A new licensee can be signed to continue to produce new licensed products in the same category as the licensee with expired agreement
57. Licensing Program Continued: Program actively managed and nurtured
58. Licensing Program Performance evaluated: Performance evaluated for potential adjustments in strategy
59. Licensing Program Strategy updated: Strategy updated to reflect new direction and target
60. Licensing Program Ended: Program ended by all licensed agreement expired and all sales reported.