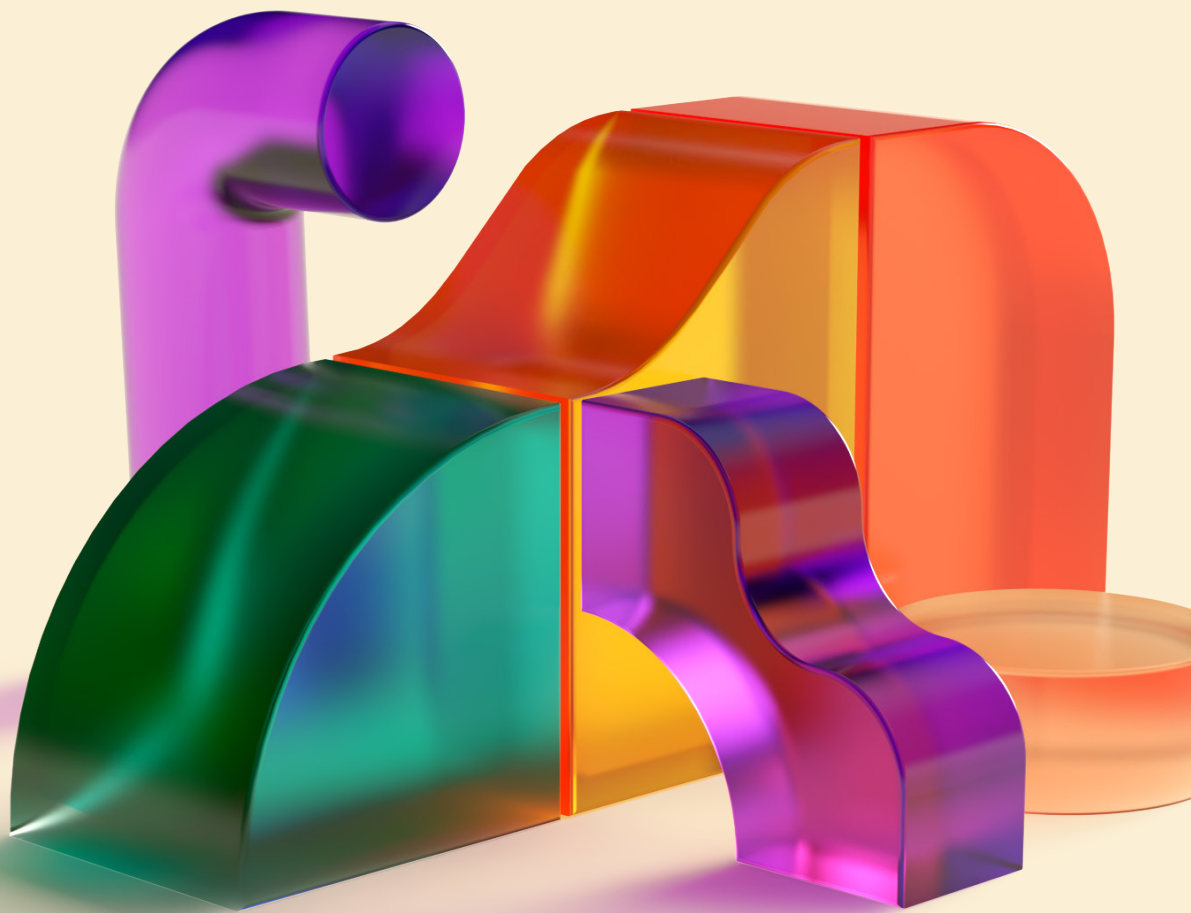


The Brand Licensing Playbook

The Definitive Guide To
Brand Licensing Workflows
And Processes



flowhaven

TABLE OF CONTENTS

LEGAL	3
FOREWORD	4
INTRO	6
CHAPTER 1	8
Workflows: The Good, The Bad And The Ugly	
CHAPTER 2	11
What's At Stake: Licensing Stakeholders, Frameworks And Histories	
CHAPTER 3	21
Breaking Down Brand Licensing Workflow Segments	
CHAPTER 4	39
Cash Flow: Financial Management Made Simple	
AFTERWORD	42
ABOUT FLOWHAVEN	43

LEGAL

If you want to make your brand a licensing hit, you need the right workflows and processes. This book provides an actionable framework to help you drastically improve your licensing business and stay at the top of everyone's mind.

If you'd like to read more, we regularly share our thoughts on branding, licensing, operations, and more on our blog.

Disclaimer: Sadly, not all of the companies mentioned in this book are our customers. Opinions expressed are the author's own and may not necessarily reflect the views of the company.

Written by: Amber Alston
Brand Identity by: Koto Studio
E-Book Design: Danelle Lettering & Design, LLC
© 2021 Flowhaven Oy.

Puzzling legal warnings aren't really our style, so we'll keep it simple. Please don't share this book, snag content or imagery, or try to use any of this material for your own gain. If you do share or write about it somewhere (which we happily encourage), please be sure to give Flowhaven credit and a link.

GOT QUESTIONS?

Contact marketing@flowhaven.com

FOREWORD

Licensing is hard. Like really, really hard. And great licensing deals—Olympic gold medal types that become tied to our personalities, and make us reach for our credit cards—are elusive.

When licensing pros nail it, we feel like champions at the top of the podium. But, in the shadow of every victory are trials and errors, a number of deals that could have gone differently if only the workflow had been formulated properly. There have been many attempts to rework and modernize licensing workflows and processes. But, some things don't need updates, they just need to be explained clearly. That's where we come in.

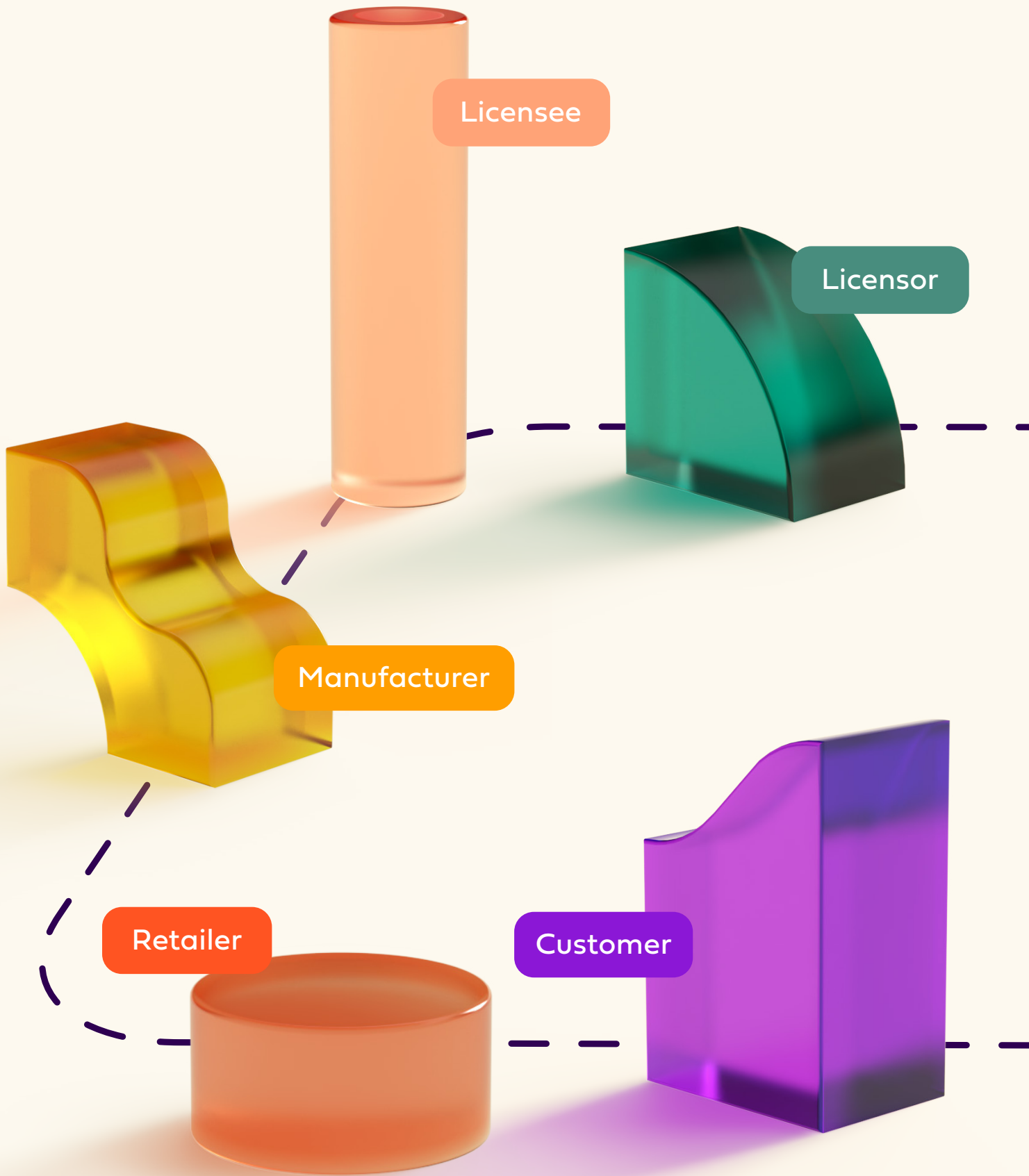
Google "brand licensing." We'll wait. You probably see a firestorm of articles and white papers that teach you what brand licensing is. You may even see examples of brands who have done it successfully. But, do you see how you should build and manage licensing workflows and processes mapped out clearly? No, you don't.

Why? Because licensing is many things at once. It's defining what customers want from your brand and bringing it to life quickly and efficiently. It's knowing where your consumers are and giving them opportunities to engage with your core brand in ways they may not have even known they wanted. It's measuring and improving tactics to find new

partners and keep customers begging for more. It's evolving products in response to how your customers and competitors are changing.

The best licensing professionals are equal parts magicians and psychologists. They juggle psychology, science, math, and their own brand of finesse to make products that win the world over.

So, the fact that there is advice scattered everywhere is no surprise. But a lot of those suggestions will just help you look like a winner without actually making you one. They rarely go deep enough or present the process from beginning to end clearly and concisely. Flowhaven has been helping licensing professionals perfect their processes and workflows for years. I imagine you're here because you've found that advice to be valuable and unrivaled. This book is all of that advice with a sonic boom. It gives you a full slate of ideas and a practical framework that is clear and accessible. We hope you enjoy the read. Good luck! Because you've cracked open this book, you already have a head start in the race.



INTRO

Remember the days when licensing was as easy as slapping a label on something and shouting out the window that the item was for sale? Yeah, we don't either.

In a world of click-this, stream-this, buy-this, you have to make sure every piece of the licensing equation is calculated perfectly. It's the only way you can get to market quickly enough to meet fan demand.

This isn't a warning. It's part of what makes licensing both fascinating and complex. Pair one good idea with one quality product, and you can establish a cult following for decades. Get it wrong, and you might burn in infamy. While the process of getting it right requires some thinking, the steps to create a partnership and nurture a deal from concept to cult status are actually pretty easy.

If brand licensing is a new concept to you, the idea may have been in your life much longer than you realized. Think of every major animation movie you've seen and the associated merchandise. From plush to pajamas, it's all fully licensed product (save

for the stuffed animal sold on the street that doesn't look quite right, but we'll get to that later). Film studios, video game publishers, celebrities, and more keep coming back to brand licensing because it is an effective marketing tool that promotes brand awareness and satisfies fan cravings like no other.

A common misconception about licensing is that it means doing things like finding a hot product category, making a deal for a lot of units, blasting your product in different markets, and then hoping for the best. There's nothing wrong with doing the above—they are decent starting points—but the wait-and-see game is a lot more challenging than following a well-crafted playbook.

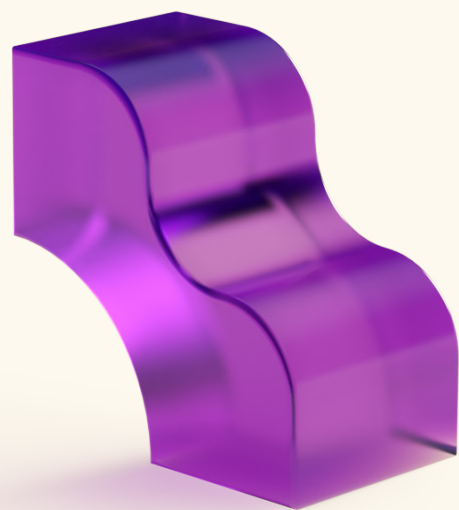
INTRO

We created this e-book to provide a general understanding of the brand licensing business, its operations and processes, and (some pretty awesome) graphics to help you plan your own workflow map. Above all else, we understood that for too long, the right way to do business had been treated as a closely guarded secret. The lack of public information makes the process a bit like flying a plane made out of cardboard and chewing gum. Sure, you might gain a little height, but without the right tools, you'll crash.

It's so much more than an outline. It was born from our CEO **Kalle Törmä's** groundbreaking university thesis (seriously, he was called a whiz kid many times) and refined by his years at the helm of the fastest growing business in brand licensing. It's also filled with information the Flowhaven team has gathered working on the ground.

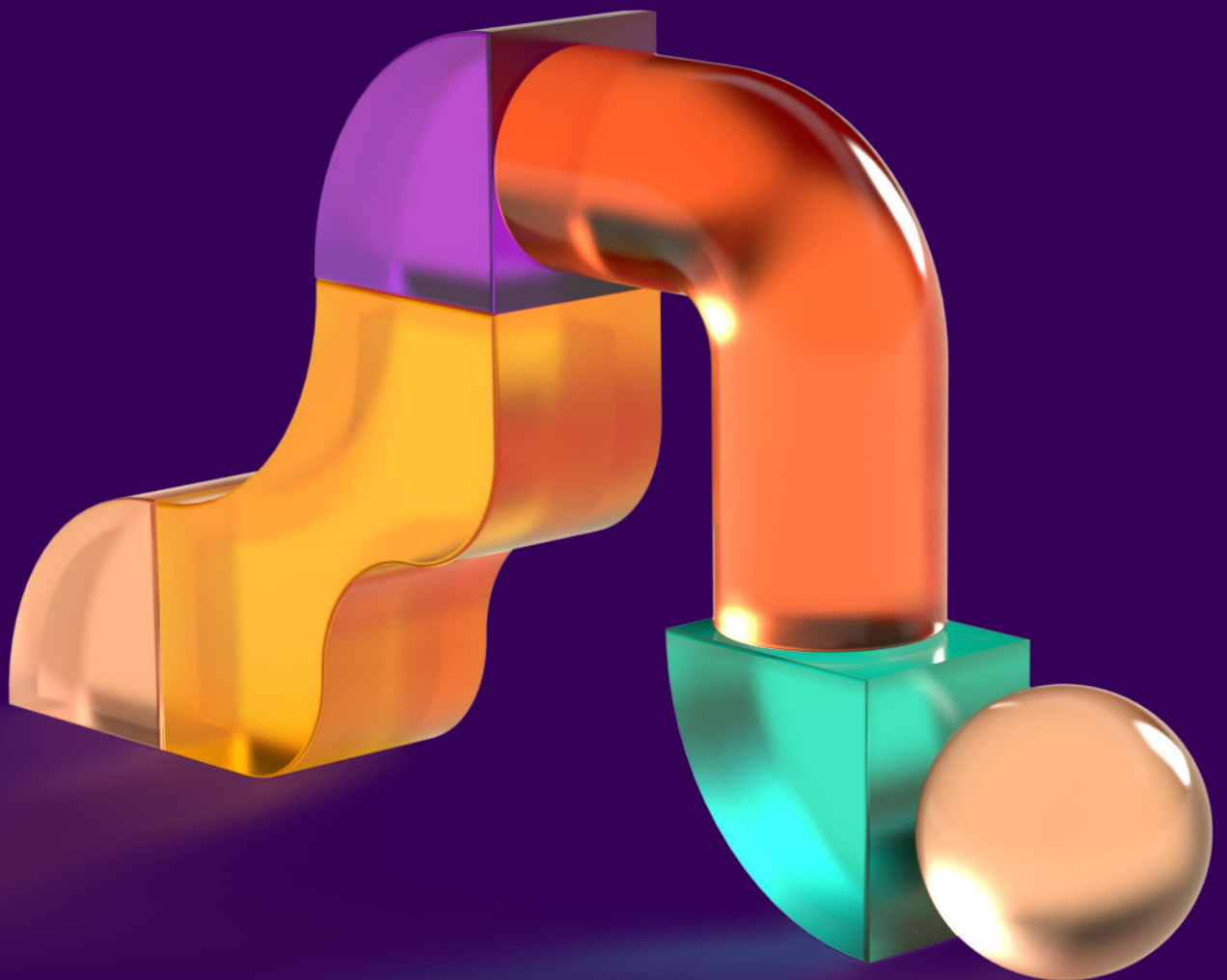
To be brief, we've divided everything into four neat chapters (remember when we promised to keep it light?). First, we'll talk to you about the elements of a good workflow. Then, we'll show you how it overlaps with the theoretical background of the brand licensing business model. Later on, we'll give you deeper insight into each operational segment and some tips on keeping up with cash flow.

Some books are written for people in large offices with even larger operational budgets. The advice we offer only requires a passion for licensing and a drive to improve the way you get business done. When you're done reading, of course, we hope you consider Flowhaven (forgive us, we're partial). But even if you choose otherwise, we hope you get all that you need from this material to build the licensing program of your dreams.



CHAPTER 1

The Good, The Bad And The Ugly Of Workflows



**“The three most important ways to lead people are: ... by example... by example... by example.”
—Albert Schweitzer**

You wouldn't set out for a trip without a map, right? Well, at least without punching some general directions into your phone and letting an even-toned robot tell you if you're heading the right way. Creating a licensing program without a formal description of the people involved and the steps required to achieve success is a lot like aimless driving. No matter how determined you are to "get there", you'll probably end up in the wrong place.

In *Mapping Workflows and Managing Knowledge: Simply, Sensibly, Flexibly, and Without Software*—one of Kalle's go-to texts for his thesis—business theory expert Dr. John L. Kmetz introduces us to the idea of workflow mapping (W.F.M.A.). Because every company works a little bit differently,

Kmetz suggests leaders keep detailed records of each unique process (yup, every single one). W.F.M.A. encourages you to think about your work and the people doing it as systems rather than individuals stumbling toward a common goal. It makes it easier to understand what's happening on the ground and evaluate how far you are from your goals.

"Most W.F.M.A. Projects encompass some elements of routine recording and some elements of diagnosis and discovery," says Kmetz. "W.F.M.A. meets these objectives by showing how the "stuff" of any organization's work, whether tangibles like manufactured materials or intangibles like information or changes in [partner's] states of health, moves through that organization."

CHAPTER 1: THE GOOD, THE BAD AND THE UGLY OF WORKFLOWS

At Flowhaven, we like to think of workflows as a type of information processing. Whether yours are sleek and efficient like a shiny new laptop or running like that boxy beige desktop you had as a kid, the way information passes through your employee network has a major effect on your business' reputation and ability to grow.

While you're busy outlining things at a company level, you'll also want to record the tactics and knowledge that help individuals carry out their duties. Does Janet in accounting dedicate a week to validating royalties? How often does Pedro, the category manager, request samples for design approvals? The difference can be slight but, even two people with the same roles and responsibilities can manage their work and time in completely different ways.

"This method really is a "map," more often through uncharted territory than we might imagine," adds Kmetz.

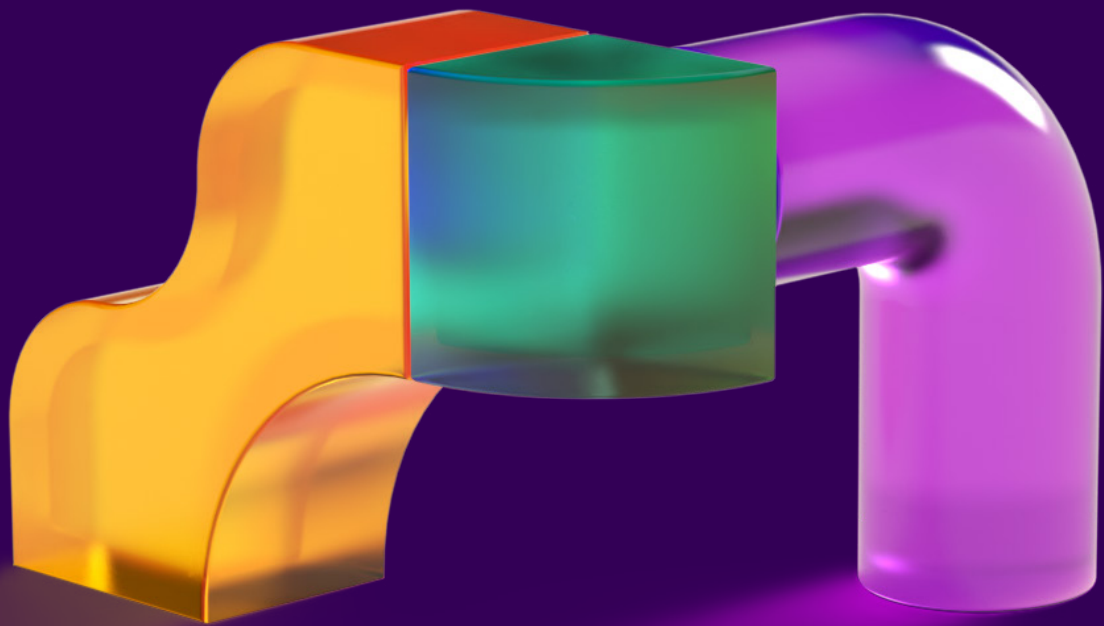
W.F.M.A. helps you keep tabs on the formal and tactical knowledge pulsing through your company. When used correctly it will help you understand your business in a clear, visual way. As an added bonus, your team can recycle the information gathered to create job descriptions, training manuals, refine strategies, and generate forecasts. No need to drop breadcrumbs or flash Bat-Signals, where you're at and where you need to be will be clear.

Fun fact: W.F.M.A. isn't just a good business strategy. It is the cornerstone of all Six Sigma programs.



CHAPTER 2

Licensing Stakeholders, Frameworks And Histories



Pop quiz time! If you want to build a great house that will last, what do you need? Well, you probably want a steady foundation. Brand licensing isn't any different. We can talk to you at length about the need to map out your processes and workflows, and celebrate just how far the industry has come, but if we don't help you get a strong command of the basics, you'll be on shaky ground.

In this chapter, you'll get to know the history of brand licensing; the stakeholders, the important "peeps" whose jobs and finances may depend on you making good business decisions; and the basic elements of the brand licensing business model. The information provided below will help you breeze through the rest of the book.

FYI: We'll refer to the model as the "licensing business" instead of the "licensing industry".

A Bite Sized History Of Brand Licensing

History buffs, unite! Merchandising can be traced back to the 1800s when industrial innovation, the birth of the department store, and newfound leisure time collided. With more money, tech, and time at their disposal, shoppers' desires for mass-produced, recognizable goods became ferocious.

By the 1970s, the business was exploding thanks to Disney's animated franchises and Lucasfilm's Star Wars. The two attracted passionate audiences who redefined what it meant to be a fan. Through the end of the last century, licensing became a must-have for any entertainment brand that wanted to be taken seriously, from college sports teams to pop stars. For fans, licensed goods became a marker of identity and values.

(Think Comic-Con, costumed Marvel movies screenings, March Madness).

Today, brand licensing is a global phenomenon. Food, clothing, beauty, art and even corporate brands have tossed their hat in the ring.

In 2019, licensed products earned \$286 billion at retail*—with over 60% of sales from the U.S. and Canada.

To say the business is operating on hyperdrive isn't enough. With content being produced more quickly than ever and digital engagement at a record high, licensing shows no signs of slowing down. Full steam ahead!

*Sourced from the 2019 Global Licensing Survey.

The Brand Licensing Business Model

By legal definition, I.P. is any protectable piece or combination of musical works, literary works, artworks, drawings, inventions, discoveries, designs, patents, trademarks—pause for breath—names, logos, legends, graphics, likenesses, sayings, signatures, industrial designs, trade dresses, celebrity rights, etc. In plain English, anything you dream up and properly record is I.P. You can protect those ideas under a patent, trademark, copyright, right of publicity, or trade secrets.

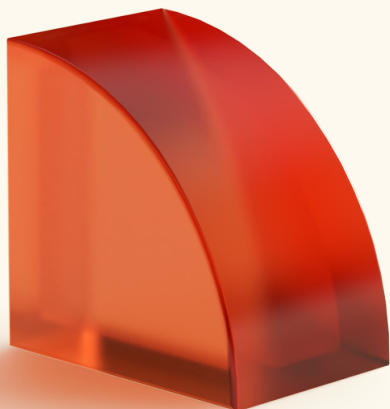
Licensing is the practice of leasing that I.P. to a third party. Sounds simple right? Not so fast. The third party is granted rights to specific intellectual property in return for a negotiated payment. The third-party can use the I.P. according to the terms of the contract, but the owner will never transfer complete ownership. Think of it like Tupperware, you can borrow it and do whatever you want, but at some point, your mom is going to ask for her dish back.

I.P. owners (licensors) are the biggest players in brand licensing. Disney, Hasbro, Nintendo (the last, a happy Flowhaven customer) are all at the top of the pack. These are the forces behind the properties you love, who have the power to say how and when a third party (licensee) can represent their brand at market. The product that comes out of those partnerships can be trademarked or copyrighted for name, logo, character, or other designs.

**Diamonds may last forever,
but licensing deals don't.**

A product or category can only be sold in a certain territory for a specific time. Both groups agree on a royalty percentage of the net sales to recoup costs and validate profit. Once the I's have been dotted and the T's have been crossed, the licensee can start manufacturing the product.

In brand licensing, I.P.s are split into 12 distinct categories. If you've ever bought something from a museum gift shop or lined up on Black Friday for a hot new toy, you'll recognize a few.



Intellectual Property Categories & 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, The Simpsons, <i>Austin Powers</i>
Fashion:	Armani, Tommy Hilfiger, Guess?, Burberry
Music:	Beatles, Madonna, The Rolling Stones, K.I.S.S
Non-Profit:	UNICEF, Greenpeace, Save the Children
Publishing:	<i>Harry Potter</i> , <i>MAD Magazine</i> , <i>Where's Waldo?</i>
Sports:	NASCAR, N.H.L., Michael Jordan, Tiger Woods
Trademarks / Brands:	Coca-Cola, Burger King, Reebok, Ford, Jeep
Traditional Toys / Games:	Barbie, LEGO, Play-Doh, Monopoly, Crayola
Video Games / Online:	Pac-Man, Angry Birds, Super Mario

Licensing can have a long-lasting impact on the way consumers think about a brand. To this day, customers have strong opinions about Doritos x Taco Bell tacos, "Family Matters" Urkel-O's, and "Rick and Morty" Funkos that have either boosted or busted

overall brand value. For that reason, there needs to be a clear purpose for granting rights. No one is going to permit you to use their beloved children's character if you have no clue what you're going to do with it. A shrug is not a signable answer.

Licensed Product Segment Examples

Accessories:	Backpacks, belts, sunglasses, wallets
Apparel:	Dresses, pajamas, shorts, t-shirts
Footwear:	Athletic shoes, beach footwear, slippers
Domestics:	Blankets, curtains, towels, cell phone covers, MP3 Players
Food / Beverage:	Candy, cookies, juice, soda
Furniture / Home:	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, scooter, skateboards
Stationery / 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, major appliances

Getting From 'Deal' To 'Done'

If a deal is going to work, the licensor and the licensees have to cooperate. Licensees have to understand the core property's brand values and their category-specific strategies. This keeps the product development process fluid and guarantees the product resonates well with the target customers. You probably wouldn't want to extend a liquor brand into the baby category or launch an entertainment brand in a territory that's never even heard of the core program, right?

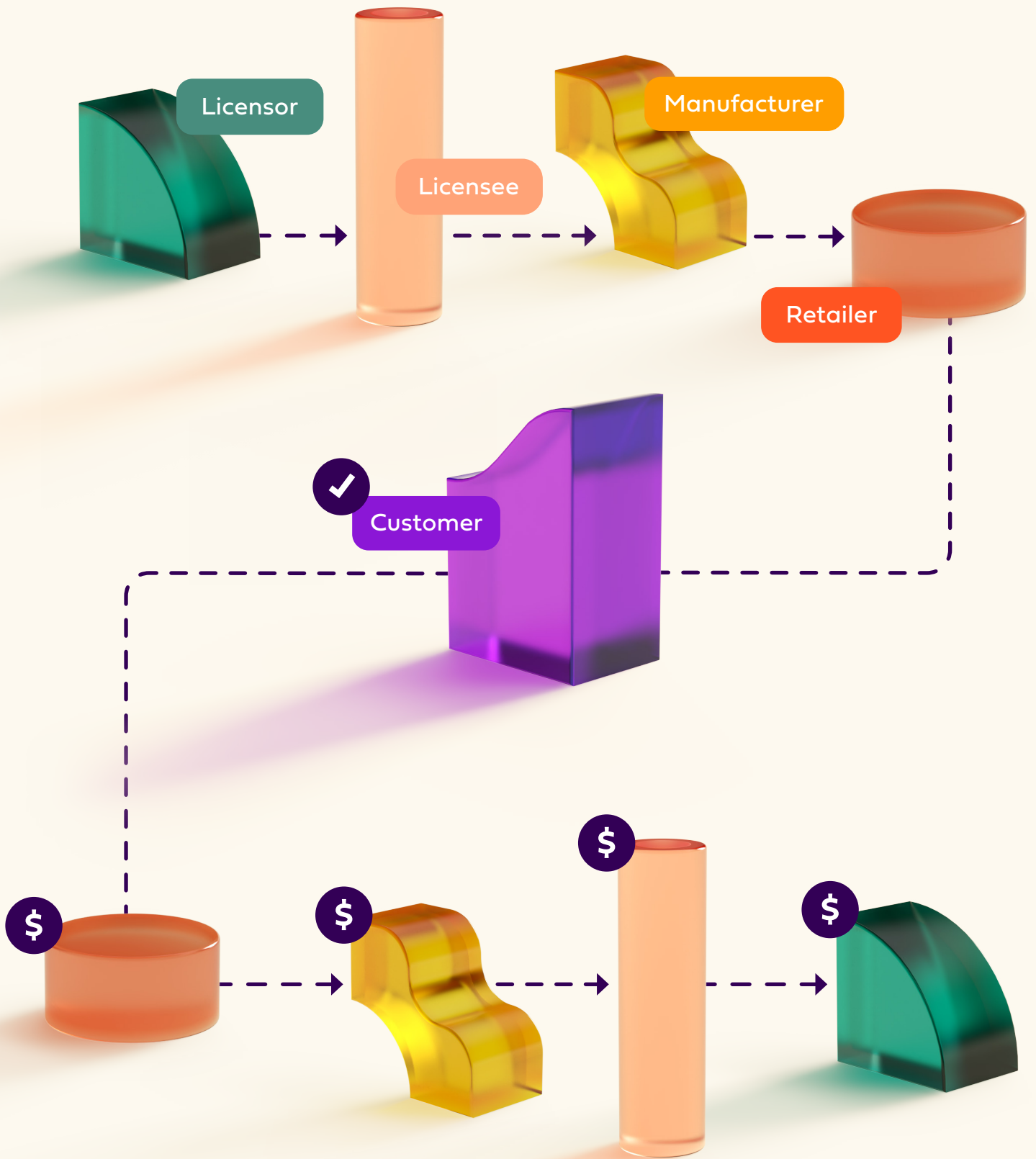
The licensor and licensee may have to juggle multiple I.P.s across a number of territories. That's the beauty of licensing. If your brand is strong enough or your manufacturing technology unique enough (holograms, 3-D printing, photoprints), you can end up with deals around the globe. It doesn't matter if the property started as a blockbuster movie or a best-selling book series, etc. (sorry, Harry Potter purists). The licensing strategy should change to meet the needs of each new target buyer and account for language and cultural differences.

Ca-ching! Now for the money. Brand licensing is the best way to spot untapped value in your company's intellectual assets and grow brand awareness. It gives I.P. owners the power to generate new streams of income through royalties with low business risk. And, without taking on the costs of manufacturing and retail distribution. Did someone say cheap and easy?

The riskiest part of brand licensing is the licensor's dependence on the licensee to deliver a quality product that enhances the core brand and excites audiences. It's a hands-off approach. Despite owning the property, licensors don't have much authority to enforce quality control or safety standards. As a result, the licensor shoulders the administrative costs of monitoring and supporting the value chain of the I.P., at a distance.

So what do licensees get out of the relationship? A red carpet entrance into the licensing business and a chance to build a rockstar reputation. If the licensor is an established player like ViacomCBS (MTV, CBS, VH1) or Riot Games ("League of Legends", "Valorant"), a licensee can piggyback on the brand's existing market value. It's a bit like going with a celebrity to a hot new nightclub. You'll probably have a much easier time getting through the door.

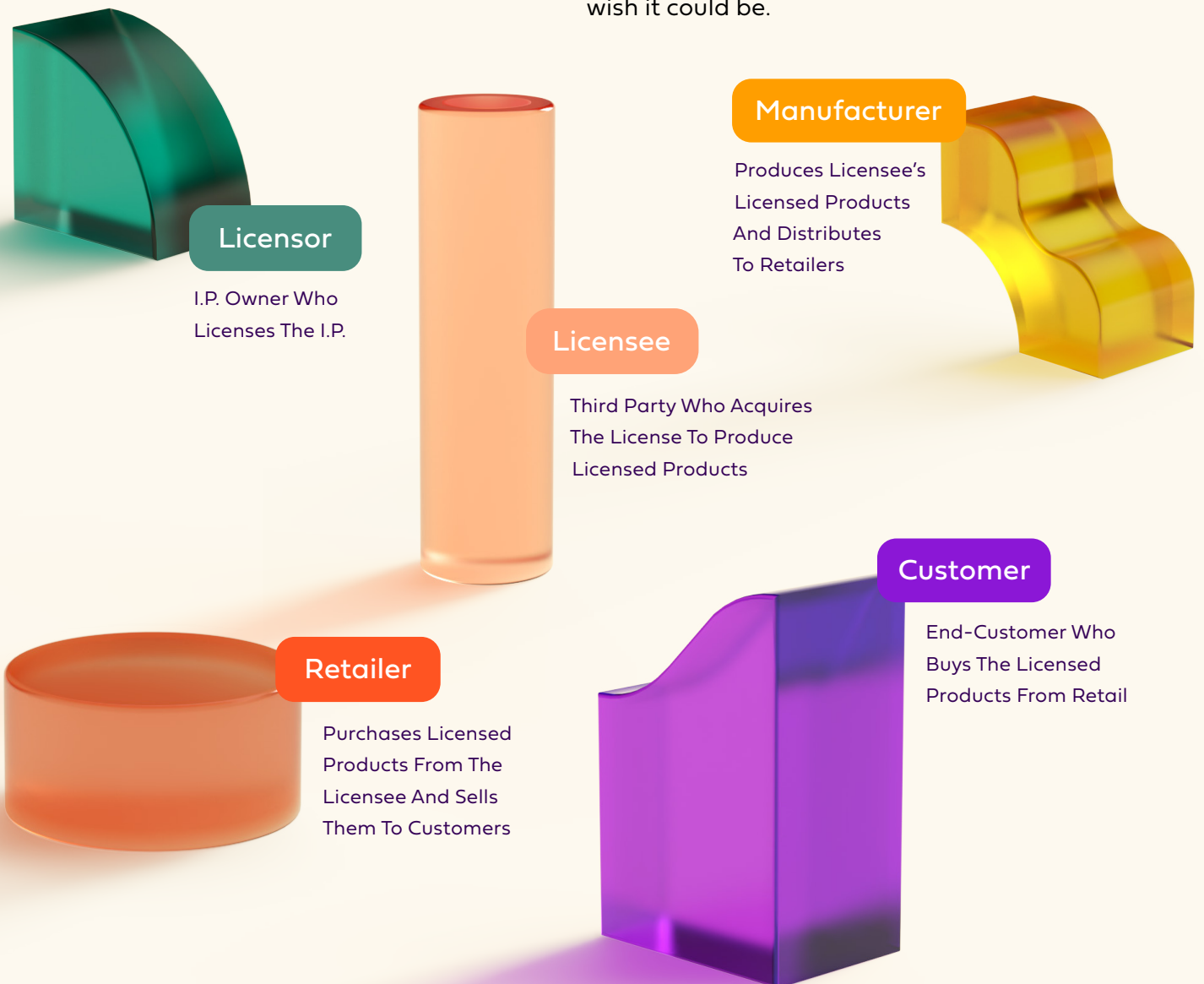
Rather than building a brand in-house and introducing it to the market, everyone can save time and effort by working together.



Who Are The Stakeholders?

Sometimes stakeholders' roles are not always clear. In today's increasingly consolidated business world, a licensee can pull double duty as a manufacturer and a retailer. A licensor can buck tradition and run everything in-house. Wherever your partners stand, your deals should be set up to deliver wins across the entire value chain.

The chart above gives you a look at the brand licensing stakeholders and the parts of the production and sales funnels that concern them. If your business is a bit more complex, throw in a box for the licensing consultants, manufacturing representatives, brand agencies, distributors, promotion agents, or legal consultants on your team. Remember, it's important that you draw your business exactly like it is, not how you wish it could be.



Licensors, Agents And Licensees

Licensors want one thing: to establish an evergreen brand. To get it, they act as noble guardians of the I.P. and do the heavy research required to understand their target consumers' values and desires.

When they need help, they turn to licensing agents who are well connected and experienced enough to operate on their behalf in new markets. The agent's expertise can help the licensor localize their strategy and make sense of their new demographic. What snack flavors make kids in Hong Kong go nuts? Which football team gets the city of Madrid fired up? Since agents serve as the licensor's local assistants, they have to stay updated on the property and be familiar with the brand's short- and long-term strategies to create the perfect fit.

An agent's job is always changing. One day they might manage product approval workflows and the next, sales reporting, finances, or even negotiate licensing agreements. The licensor has the right to final approval, but agents' opinions can carry a lot of weight.

Fun fact: Paydays look a little different for agents. They're paid commission on received royalties or by flat fee.

Licensees are product category and manufacturing experts with established distribution connections and channels. How licensees use their resources to support sales channels usually depends on the agreement. Speed. Is. King. Retail orders and manufacturing schedules make that non-negotiable. Even a short delay in the product approval process can lead to major money loss. Nobody wants to leave a deal with empty pockets.

Retailers and buyers (the trend-obsessed gatekeepers that stand between you and the shelf) camp out somewhere between the licensing partners and the consumers. Maintaining a mutually beneficial relationship with retailers and buyers can help you snag shelf space for your licensed products long term.

Pro tip: Some retailers will demand product exclusives. It gives them a boost above their competitors and builds clear-cut value propositions for customers. It also gives the brand a fun opportunity to experiment with business models where demand outweighs supply (i.e. "drops").

What About Franchising?

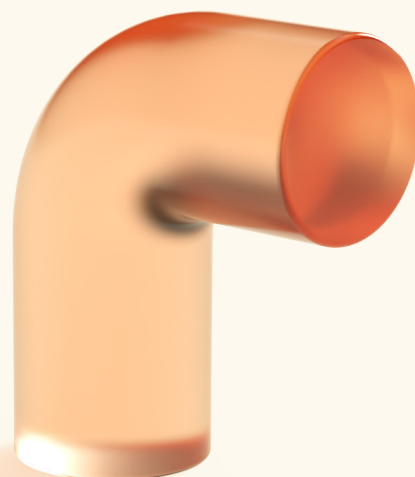
You've heard of franchising. And even if you haven't, you've probably stepped into a franchise in the form of your favorite coffee chain or fast-casual restaurant. You may even be reading this material while munching on a #3 with special sauce (we don't judge).

Regardless, it's important to draw a clear line between the brand licensing and franchising business models. A licensor's job is to supervise and control the use of the intellectual property assets. In franchising, the property concept owner (franchisor), makes franchisees agree to a series of limitations related to the core I.P. and practices, including strict operations regulations.

In plain English, franchising terms are much stricter than licensing ones. Globally recognized franchising companies include McDonald's, KFC, and Starbucks. You've never seen a McDonald's without the arches, have you?

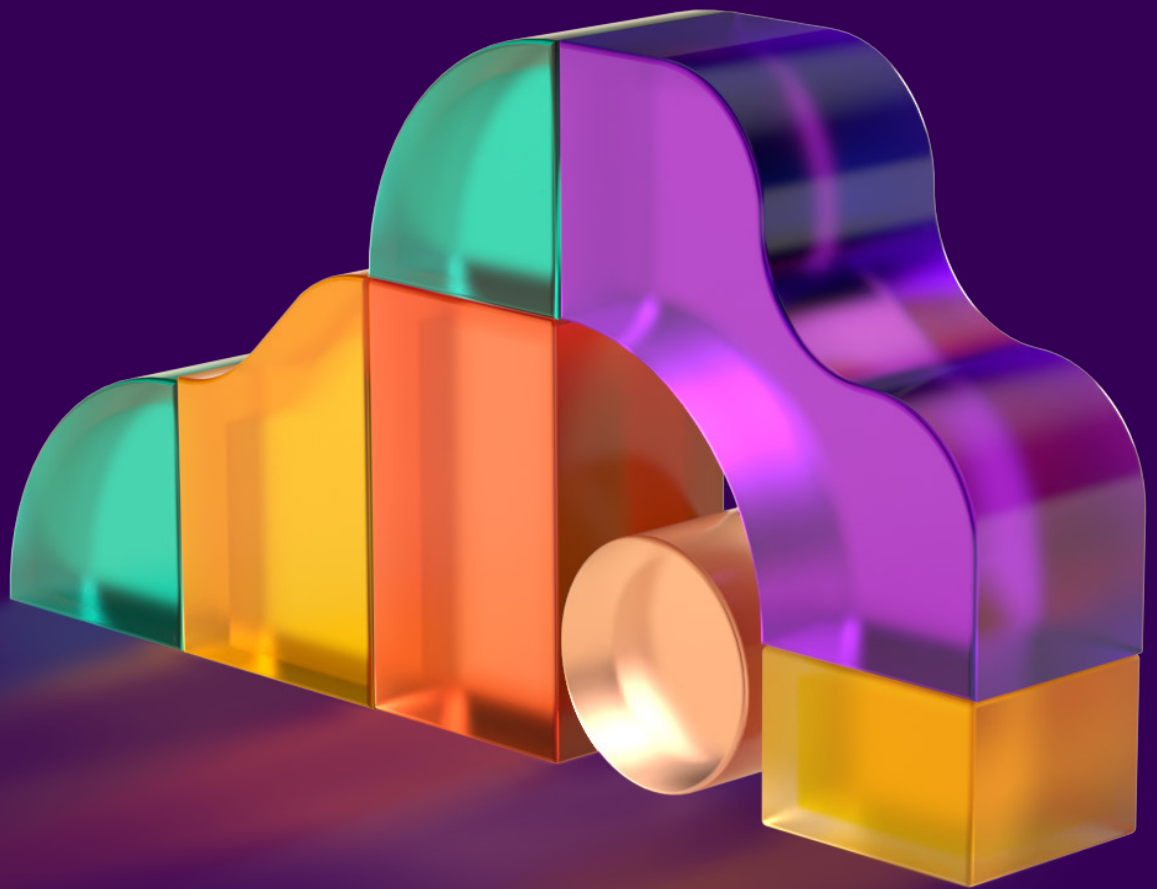
In the franchising model, you don't just sell an individual I.P.. You sell an entire system as an I.P., which franchisees need to run their operations (training, advertising, exit strategies). Franchise systems run on three key components: I.P., operating systems, and a solid franchisor-franchisee relationship. The franchisee gets detailed documentation and reporting mechanisms, among other resources to get started.

The franchisor's I.P. creates the demand that attracts customers. Franchisees serve those customers using the licensed operating system. The operating system defines the brand promise that the franchisee is required to follow to win.



CHAPTER 3

Breaking Down Brand Licensing Workflow Segments



In 1999, Nickelodeon (ViacomCBS) introduced the world to “SpongeBob Squarepants,” a colorful cartoon about a sponge who lived in a pineapple under the sea. You may have seen it.

The show and its merch program were expected to pump up young children. It did, but to everyone’s surprise, young men proved to be the most engaged. Viacom had to pivot. The result is a 20+ year, multi-million dollar program that includes toys and back-to-school, as well as men’s grooming, sports equipment, grilling accessories, and more. Everyone who wants a piece of “Spongebob” can have it, no matter who they are.

Would “Spongebob” ever have seen this kind of growth if the company hadn’t adjusted to the realities of the market? Probably not.

In this chapter, we’ll break down the operational segment (from a licensor’s perspective), with a formula for understanding licensing mechanics and the important role of the licensor. Most importantly, you’ll learn why flexibility is key to building a solid licensing strategy. Think of it this way: if you can’t pivot, you can’t prosper.

**“If you can’t pivot,
you can’t prosper.”**

Building Up Your Licensing Program Strategy

Before jumping into the licensing business, you should take a hard look at your intellectual property. How big is your fan base? Do you have an engaged online fan community? If the brand disappeared tomorrow would anyone notice? When you can answer those questions without hesitating, you can start to build a licensing strategy that will win the world over.

The strategy should clearly define your:

- I.P.
- Target audience
- Key markets
- End customer segments
- Guidelines for preferred licensees
- Short and long-term performance targets

CHAPTER 3: BREAKING DOWN BRAND LICENSING WORKFLOW SEGMENTS

Bad planning can lead to over-saturation in the marketplace—a red flag that you made a major computing error or overestimated the demand for your product. There is a huge difference between the people who casually engage with your brand and those who love it enough to fill up their shopping cart.

The objectives don't have to be the same for each property. A new toy might need a red carpet roll out. A classic cartoon character may just need to be relaunched for a new audience. Proper planning can make either one a smashing success.

The best strategies take advantage of the core I.P.'s strengths to decide who to target. Never fear, a well executed competitive analysis can take care of the heavy lifting. The results will help you measure yourself against existing licensed products. Let's say you want to sell backpacks featuring a top-charting pop star to children. Competitive analysis will let you know if you need a more narrow split like teens, or tweens and what unique value proposition will help you shine in the marketplace (and sing all the way to the bank).

Good licensing strategies stick to key categories such as apparel and toys but can be expanded to make room for experimentation. So, if a licensor wants to explore product premiums such as retail, restaurant, or even live shows (think Disney on Ice, or a The Wiggles concert), there is room for it.

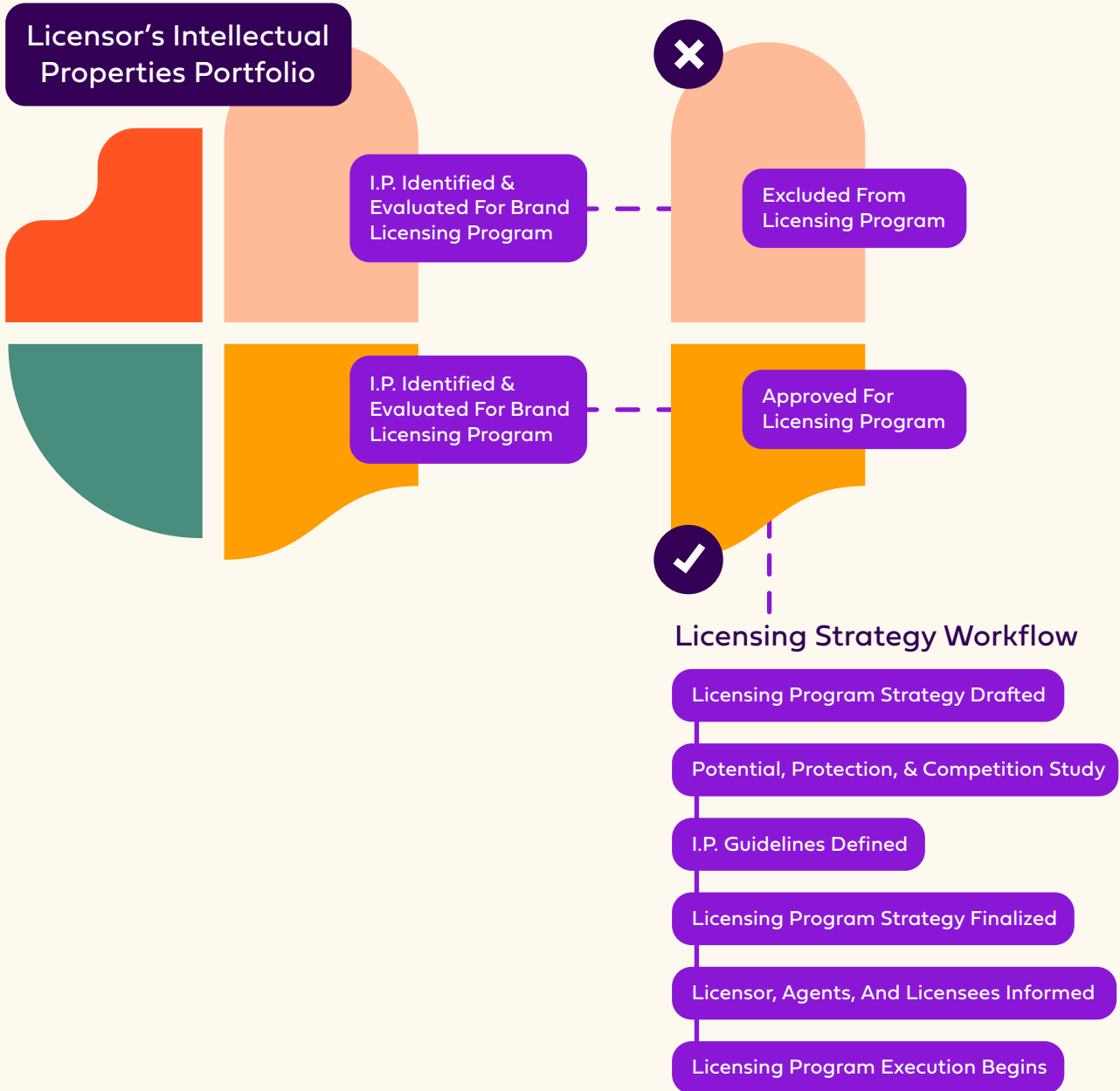
With the right processes in place, you can expect a healthy and consistent revenue flow in less than two years.

Pro tip: “Patience you must have, my young padawan.” —Yoda. Seriously, it is the most valuable asset you can have during this step.

Cross-promotional opportunities are one of the hidden (well, maybe not so hidden) benefits of a licensing deal. Through them, you can introduce new properties and products to several channels. Maybe you pick up new fans because a video game featured your brand. Maybe a trendy apparel collab used your logo. These are audiences who may have only had peripheral knowledge of your brand or been completely unaware of it without a strategic overlap.

When evaluating an I.P., a licensor needs to be objective and realistic about demand. Hire an independent consultant to conduct a market study. Based on the findings, you can set financial targets and come up with a forecast. The results can also give your sales negotiations a helpful boost. Brands are like vegetables, they're better when they're “fresh.” If you aren't keeping your properties modern and relevant, you risk retailers and consumers moving onto the next “hot” I.P.. That's a sign that the brand is losing value and might escalate into licensees abandoning the brand entirely.

Brand Licensing Strategy Workflows



Property Protection

Most intellectual property is protected under trademark or copyright in brand licensing. Licensees who have been in the game for a while, usually ask that licensors have protections against unauthorized use before they sign an agreement. It makes the partner more credible and saves the licensee from headache-inducing legal battles later down the road.

Teams should file for I.P. protection before or during the licensing strategy moves into the planning stages. In this context, protection will cover ownership of the I.P. and its associated elements, including logos and designs with registered trademarks or copyrights.

Trademarks are approved by category and can be time-consuming and expensive to get. You'll have to register trademarks in each country where you plan to sell your products. Or, by region, such as the case in the European Union. When you're proactive about property protection, you give licensors a home court advantage in infringement cases and increase the lifespan of your program.

In most territories, You can file your trademark application with reference to 45 product categories. Don't get too creative, a trademarked property has to consist of words, brand names, character designs, phrases, symbols, or any combination of the five.



I.P. Protection Workflow



(Page 24)

CHAPTER 3: BREAKING DOWN BRAND LICENSING WORKFLOW SEGMENTS

The product categories you go with need to reflect your long-term licensing strategy. Once the trademark application has been submitted, you can use ™ symbols on your licensed products. The ® symbol tells you the name has been registered with the local Patent and Trademark Office but can only be used once officials have approved the application. To potential violators, it's a big flashing sign to back off.

Pro tip: You'll probably want to do a conflict check before anything else. If you've already dreamed up a plan for a brand or concept that already exists, you may have to start all over again.

During registration, the licensor becomes a watchdog. They become territorial about brand elements and ensure all products sold under the registered trademark can be tied to the original application or themselves. If that isn't done, a third party could argue that the licensor gave up their rights. We don't like to use the word nightmare often, but it counts in this scenario.

Trademark registration gives brand owners the power to take legal action in I.P. infringement cases and stop counterfeit licensed products from crossing borders. After filing the application, the authorities can either reject or approve it based on local requirements. In the US, for example, trademark registration is valid for ten years from the registration date and can be extended indefinitely if you have usage proof.

Copyright protection is a more accessible and cost-effective process than trademark registration. It's valid as soon as the copyrighted work is created. The owner of the work doesn't need to take action

to protect the I.P. However, we strongly recommend registering all I.P. with your local copyright office, especially if you plan to license the work. Knowing you're covered in case someone tries to steal your work will save you from a lifetime of facepalms.

Copyrights cover the design of a logo or image but exclude all written portions. It also extends to the idea behind the original creation. So, even if it's a toy sketch on a napkin, you have the right to seek legal protection.

The terms of the copyright can be different based on the type of content you created and the original publishing date. In most countries a typical term is 50 years plus the life of the author. In the U.S. and most of Western Europe it's 70+. Stateside, companies are also protected for 95 years from the date of publication.

Once copyrights expire, they fall into the public domain—available to be used by whoever, for whatever. The idea that creative work can exist without the need for exclusive intellectual property rights, is the reason why you don't get a hefty bill just because you sang "Happy Birthday" to your grandma. Trademarks can also fall into the public domain, but only if specific terms apply.

Special cases include:

- The owner abandoned the trademark
- The owner allows trademark use in a general context
- The licensor declined to take action against infringement cases

Take the yo-yo. The formerly trademarked name returned to the public domain and became a generic description of an entire toy subcategory.

The Curious Case Of Counterfeits

If you've ever hung around a stadium after a major sports competition, you've spotted a counterfeit item or two (or ten). Counterfeit goods are made to look exactly like a licensed product to deceive or defraud consumers. Buying a look-a-like from a friendly face may seem harmless. But, counterfeits are a massive problem because they lower the brand and property values and cause issues at retail that affect potential licensee revenue. For the consumer, they also fail to meet the quality and safety standards of legally produced goods. Counterfeiting isn't just annoying. It's a serious crime that can result in major fines or possible jail time.

When the media talks about counterfeit products, they lump it in with pirating. The difference is subtle but significant for licensing business operators. Infringement implies that an actual licensee is selling outside their rights, for example, in the wrong territory—Bangladesh instead of Brazil. Pirated products are manufactured illegally by groups without contracts.

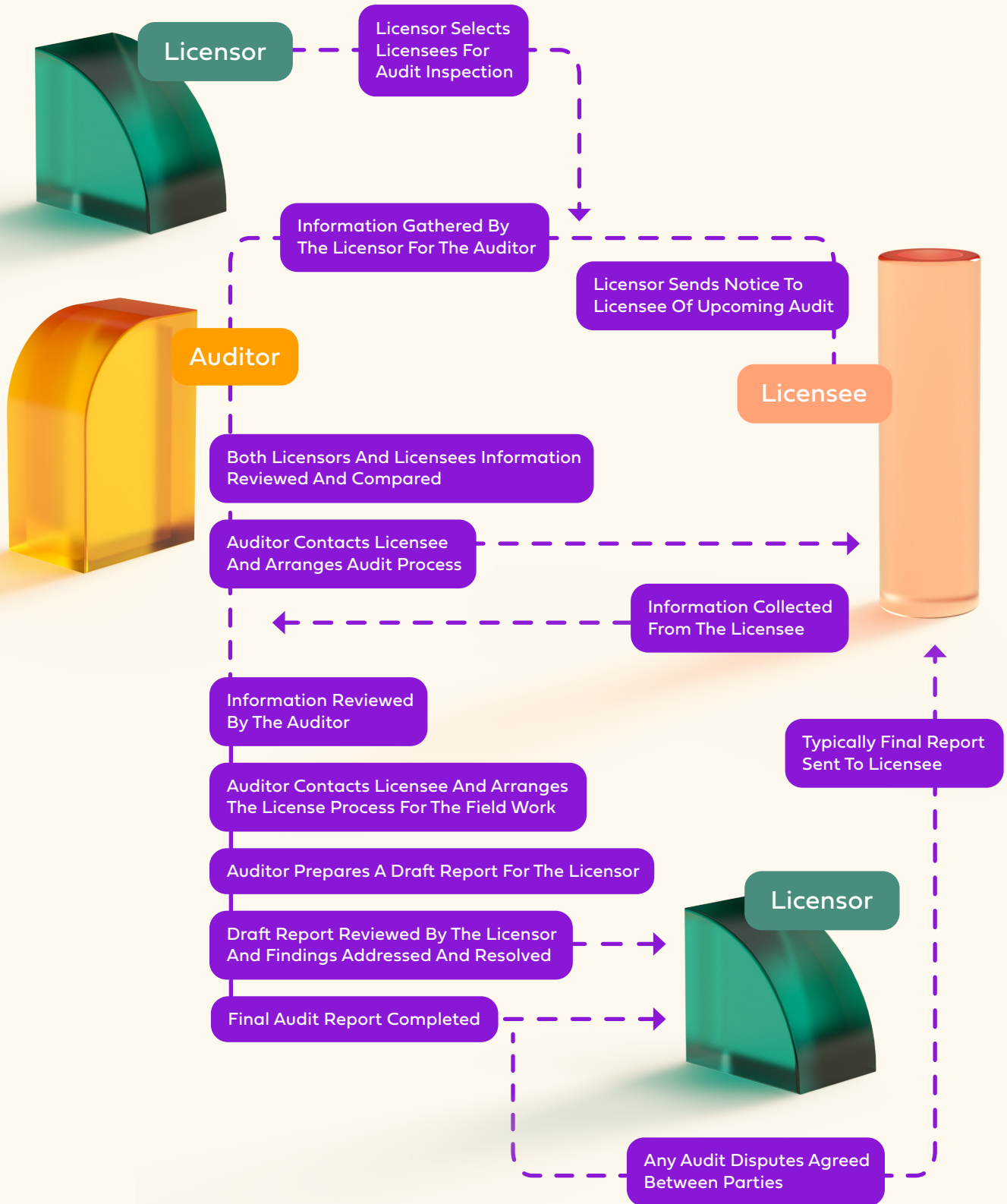
Licensees are usually the first to alert licensors to counterfeiting since they operate closest to the marketplace and keep a finger on the pulse of the competition. Running an anti-counterfeit program can be a full-time job, especially for popular I.P.s. Anti-counterfeit programs let potential violators know you mean business and make consumers more trusting of your brand.

The most effective way to tackle this issue is to have I.P. protection in play across all of your active territories. An anti-counterfeit program administration can spot unlicensed products and take action against malicious manufacturers. The best and most effective programs stop counterfeit products from entering unauthorized markets through customs.

Most teams participate in regular audits to confirm that the licensee has honored the terms of the licensing agreement. They'll also ensure products meet the standard for the sale of approved products, sales reporting, and payments. This keeps everyone honest. The right to audit is a key part of the agreement process and gives the licensor permission to scan the licensee's books and internal records for issues that could turn the deal upside down.

An audit can usually be done by the licensor or the auditor of their choice. Audits can be filtered to look at finances, products, quality, or sales management, to name a few. Most licensees actually prefer that audits take place in the first years of business and before the term expires. The best agreements carve out a section about audit violation procedures and penalties. Now for some good news: most violations are misunderstandings. A licensor or licensee may just be confused by the payment terms (it happens to the best of us). That confusion can result in miscalculations and production blunders.

Audit Process Workflow



Mastering Sales Management

Once you've built a forcefield around your I.P., you can rev up your strategy internally and move into the sales process. But don't move too fast. Before you start schmoozing prospective licensees, you need to make sure you've conducted thorough research of the potential market. If you're going to set off on this trip, you should be sure the destination is worth it.

You may want to send a confidentiality or non-disclosure agreement (N.D.A.) before you even speak to a potential licensee. These agreements ensure that mum's the word on any unreleased I.P. And, if you happen to see that the licensee produces a product that looks eerily similar to the one you shared, you have some protection.

Warning! If the property is legally protected, the N.D.A. might be seen as pointless by some licensees.

Some people compare licensing partner vetting to matchmaking (some licensing trade shows even have a networking platform of the same name). Instead of charm or good looks, you should examine your potential partner's financial strengths, distribution channels, manufacturing capabilities, product quality standards and reputation to see if there's any chemistry.

A thorough licensee evaluation can also speed up background checks and weed out conflicts. After all, don't you want to know if the licensee you're after is making your competitors' products and selling them in the same market as soon as possible? It's bad news if two licensees with the same distribution channels and rights to the same product category end up in a retail showdown. Double licensing can harm the licensee's network. It can also affect the retailer's perception of the product's quality. A retailer with a bad opinion of a licensee, can reduce their orders or reject your licensed products completely.

After the N.D.A. and (possible) evaluation, comes deal memo negotiations. A deal memo (American classification) or deal memorandum lays out the commercial terms of the agreement. Deal memos can save product development teams precious time. They ensure market launches happen on time, even if the official license agreement is still being finalised. If you opt for a deal memo, you'll need to keep a laser focus on granted intellectual property rights.

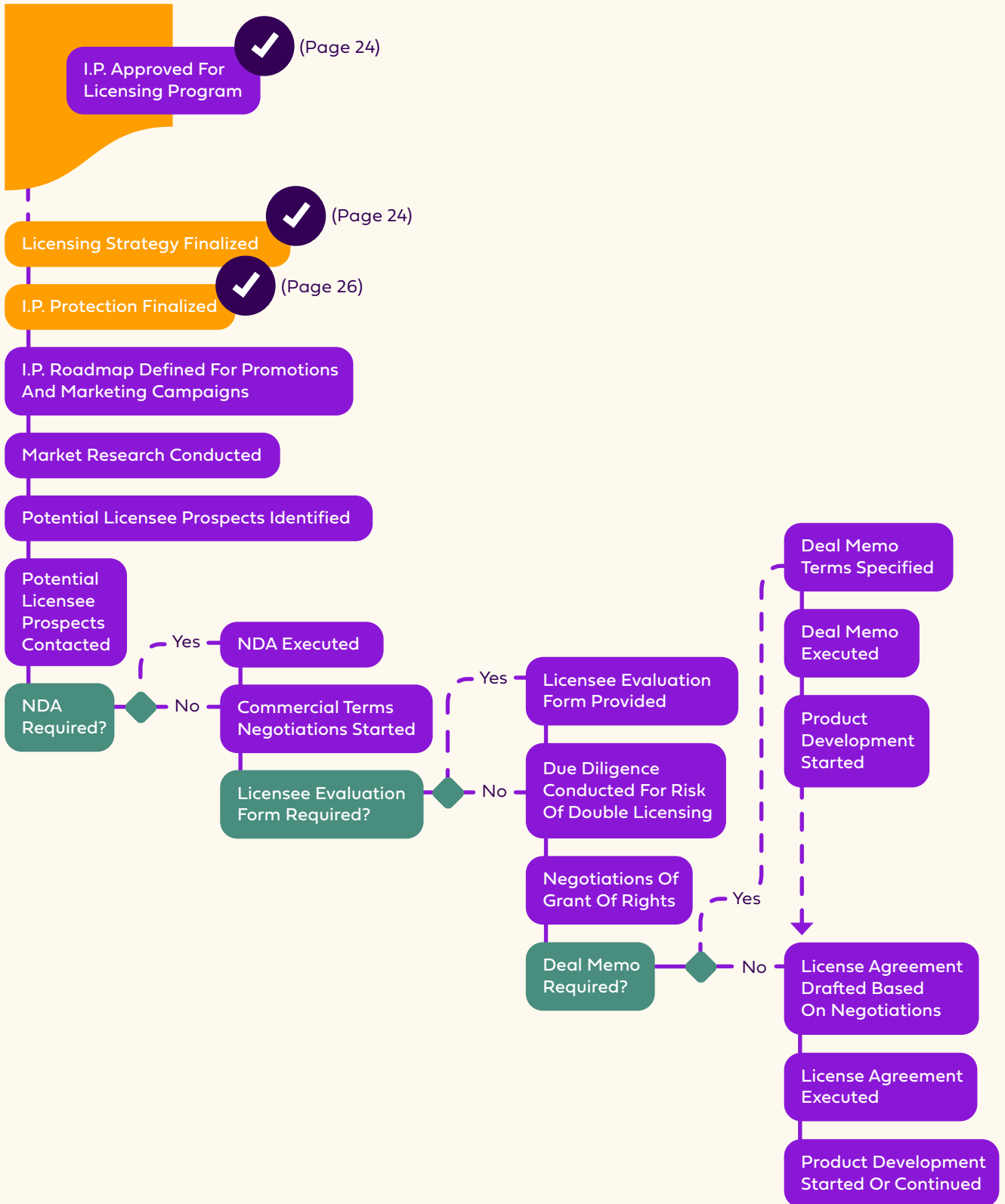
CHAPTER 3: BREAKING DOWN BRAND LICENSING WORKFLOW SEGMENTS

Granted rights layout the licensed properties, product categories, territories and distribution channels in return for a negotiated payment as well as other key business terms. You may be a frequent flier, but granted rights are more sedentary. Territory—(EMEA, BeneLux, Iberia) or country—(China, Croatia, England) restrictions are also included for maximum control over who are where the product is available. Most licensing pros choose to operate off a minimum guarantee—a recoupable royalty rate measured against a percentage of the manufacturer’s selling price. Once a contract is fully executed, the licensee will pay an advance—a percentage of the recoupable minimum. We’ll dive into this in the financial management section later on.

You can launch a program anywhere globally, but if consumers aren’t looking for it (or even worse, aren’t interested in it)the products won’t sell. To light a fire under market demand, licensors need to get creative. Team should be looking for opportunities to make people rethink the core property and work with their licensees to create new product lines, promotional activities, marketing campaigns, and other programs to keep the intellectual property exciting in the eyes of the retailers and consumers.



Sales Process Workflow



Contract Admin

You're not at the circus. So, there's no need to juggle key commercial deal points in your head. Once your deals are negotiated, you can jot them down in a deal memo or term sheet. When everyone is satisfied with details, the actual contract administration process can begin. Hip hip, hooray!

Licensors start with a standard boilerplate agreement. It's a cookie-cutter, yet effective tool that ensures smooth contract finalization and puts partner demands on full display.

The challenge comes when the licensor's agreement looks a little different than the licensee's. The negotiation process is very unregulated, and everyone is hoping for a win. It helps to keep legal personnel included in the process to provide support and proper oversight.

Every time you sign a new licensing agreement, your team should agree to carry out the duties of their respective roles. It can be a pinky promise, scouts honor, or even a special handshake. Contract negotiations can hit a roadblock and affect the product approvals schedule and journey to retail if anyone falls short, so make sure your pledge is binding. Even worse, it can put both parties at risk of missing the target launch date. The entire production cycle might take anywhere from a few months to a year depending on the partner, product category, manufacturing locations, and distribution method to retail.

Before the agreement expires, the licensee's performance will be evaluated. You can choose to renew the deal if you think there is an opportunity for future business. If the contract expires or is terminated for any reason, the licensee will be forced to dispose of their inventory during an agreed-upon period called sell-off. After this period, the licensed products can't be sold.



Style Guides And Assets

During the brand strategy building phase, the licensor will develop a graphic look for the I.P. Graphic lookbooks and guidelines are then given to the licensees as a style guide and used to create the license’s product. The style guide consists of guidelines for permitted logos, likenesses, signatures, design variations, and packaging guidelines. The style guide also outlines the use of colors and the correct use of graphic assets.

Licensees must develop products that follow the given instructions to a tee (no creative license allowed!). In some cases, additional style guides are created to provide seasonal or other design variety to the brand. The continuous development of style guides is necessary to help the I.P. stay relevant in the eyes of retailers and consumers. As a result, licensed products need to evolve. For example, teams can create seasonal product lines by changing the colorways and design elements from one palette to another. Once the style guide and assets are finalized, they can be shared with the licensees, and the product development process can take off. Several solutions, including Flowhaven, make it easy to share materials online in a secure manner.



Product Development And Brand Assurance

Licensors have the full right to control their I.P. use in licensing programs. They also have the power to approve or deny any designs or other elements such as packaging, labeling, and advertising materials before they hit store shelves.

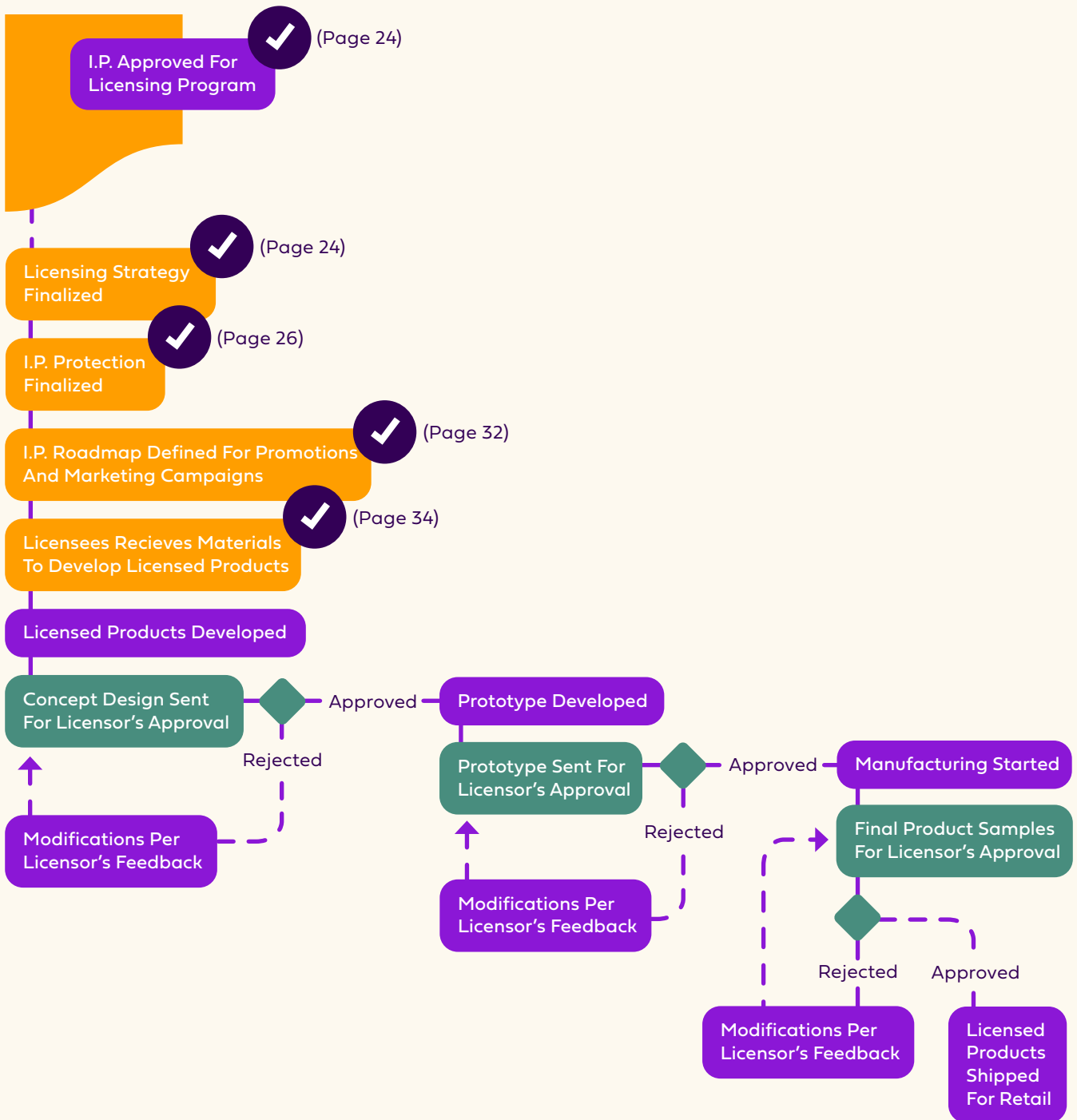
As we mentioned earlier in the chapter, a licensee must receive official approval from the licensor for each licensed product. (Yup, every single one) The product development timeline depends on the licensor and product category and requires close (friendly) interactions between everyone involved. In most cases, there are clear-cut steps each design needs to go through before final approval is given including:

- Concept (drawings, models)
- Pre-manufacturing (prototypes)
- Manufacturing (final production samples)

It can be a race to get the approvals completed by the target launch and retail shipment dates. For a boost, licensors usually have a contractually set response time and are aware of the strict and time-consuming approval procedures.



Licensed Product Approvals Workflow



CHAPTER 3: BREAKING DOWN BRAND LICENSING WORKFLOW SEGMENTS

The licensor, licensee, and agents' internal teams need to get acquainted with the style guides to understand the I.P. and the overall strategy. This assures a smooth approval workflow and that each and every product will embody the brand's core values. It's like entering a marathon without any training. You might perform well enough, but the people who have spent time understanding what it takes to cross the finish line will come out ahead.

The main objective of the licensed products is to make them more different and more special than non-licensed products.

We joked about "logo-slapping" at the start of the book. But it's no laughing matter. It's what happens when a licensed property has lent its name to a product for visibility without making any modifications. To make a product more than just space for a sticker, licensors need to research ways to communicate the brand message. The finished product needs to resonate well with the end customer, and they'll be sure to let you know if it doesn't.

There are some cases where the consumers just aren't attracted to a product. This becomes a problem for the retailer who will have to deal with inventory sitting on their shelves.

It's become harder to control product quality during the product development phase. Licensors are at the mercy of the licensee's skills, abilities, and resources and if any are below par, the product will suffer. The best products are produced when the licensor's knowledge of the brand and the licensee's knowledge of the product category combine to make pure magic.

Modern technology makes it easy to automate the approvals process digitally. But, licensors still need to look at product designs and samples at various stages to be sure that the very best versions land in your cart.

Promos And Marketing Campaigns



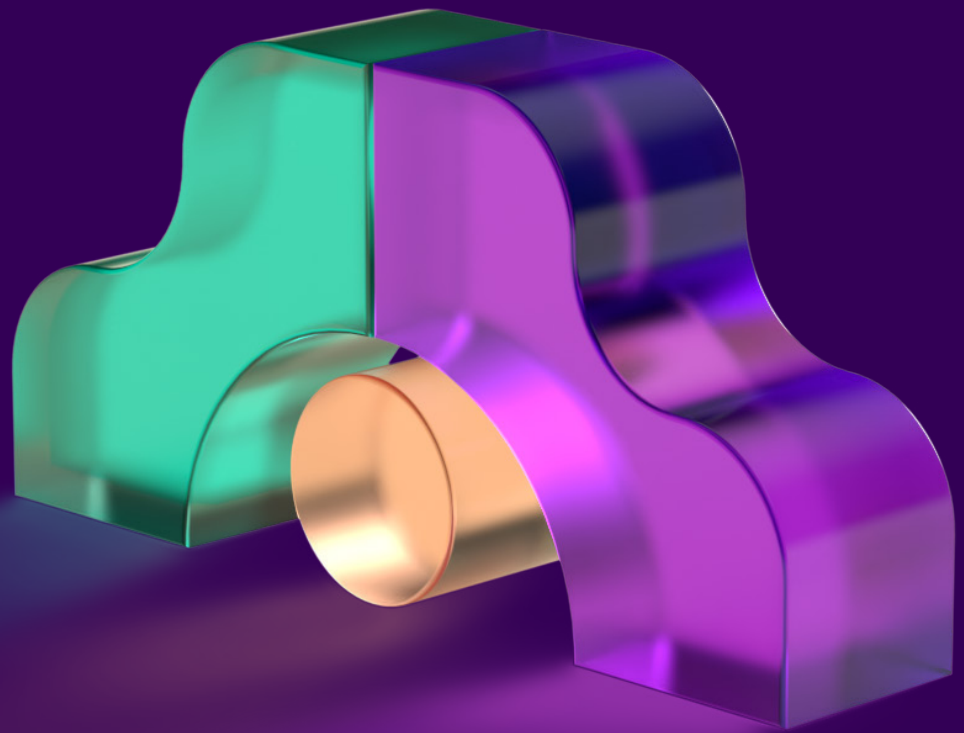
There are very few chances you'll ever have to have a one-on-one conversation with your fans. Marketing closes the gap. Marketing can help you inform customers about your plans for your brand, where they can get their hands on your product and help you craft a back-story that gives your company dimension.

A marketing fund can be baked into a licensing agreement and collected as a separate fee. The marketing fee is usually an additional royalty percentage taken from net sales. The funds are pooled together and used for a common marketing or promotions program that serves all licensees in a specific market or globally.

Licensors and licensees should sync their marketing activation schedules. The responsibility to successfully launch a licensed product line will be split between the two (or more) stakeholders. However, all the advertising and marketing materials and plans need to be reviewed and approved by the licensor. In some cases, licensors proactively engage in marketing activities with selected partners.

CHAPTER 4

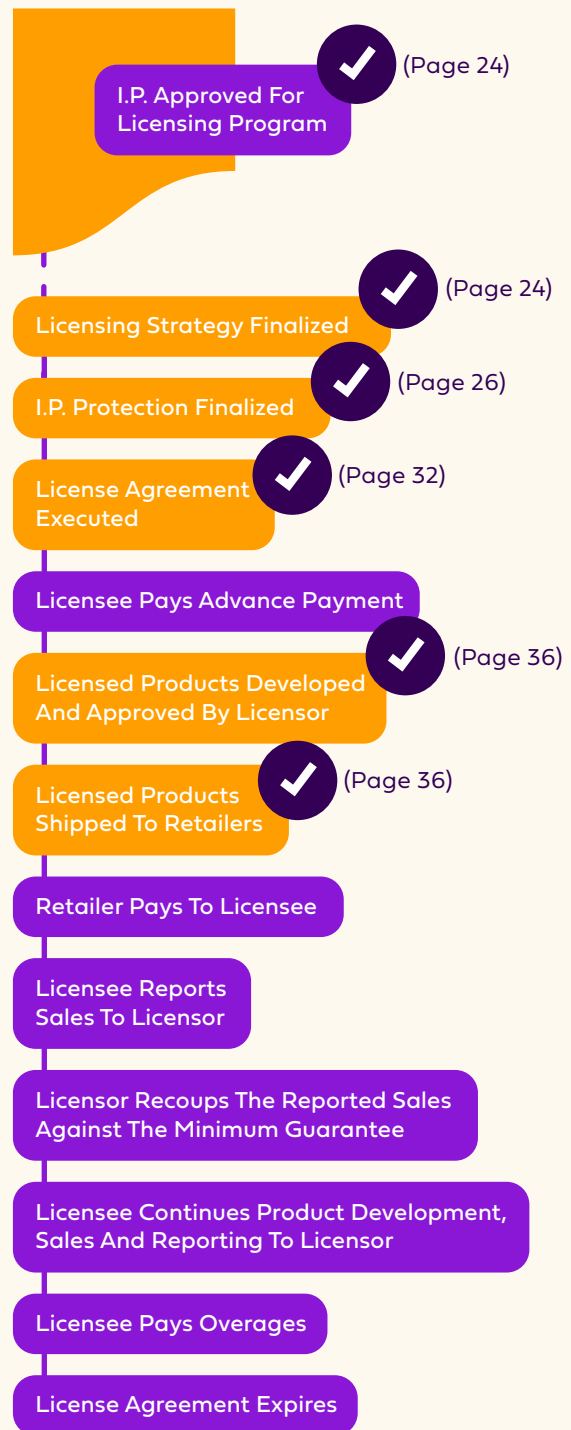
Cash Flow: Financial Management Made Simple



Financial Management Made Simple

As for the financial obligations of the licensee, the licensing agreement defines the cost model. This is usually a royalty percentage-based payment structure pooled from the net sales of the licensed products. However, the royalty payment definition can differ between agreements. The licensee should always confirm the calculation formula for royalties. They can be based on gross sales, net sales, net profit, or even a fixed flat fee per product sold. Miscalculating can end in disaster, or even worse, lost revenue. If there is a need for greater flexibility, net sales can be replaced with a fixed retail price, flat fee, or freight on board percentage (F.O.B.B) and incorporate graduated royalties, called royalty thresholds.

To minimize risk for the licensor and to encourage licensees to actively sell during the contract term, all royalties generally accrue against the guarantee. Or, they recoup against the set minimum guarantee. Licensees are always required to pay the licensors the minimum guarantee in full regardless of the total sales amount.



Once the contract is fully executed, the licensee pays an advance—a percentage of the set recoupable minimum guarantee. Most 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 overages. In some cases, the licensor might also split the minimum guarantee of specific intellectual properties, product categories, or territories to ensure 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.

The licensing finance team exists to collect royalty reports from the licensees on a monthly or quarterly basis. They also manage the invoicing process to assure that the royalty payments and guarantee installments are paid on time. If a licensee does not submit a report or there is a drop in sales, the finance team should be the first to flag the issue.

Operations Management

In operations management, employees are busy executing the licensing strategy and measuring program performance. Setting up a workflow that keeps the licensee penned into the granted rights makes things more clear and encourages smarter, not harder work.

In a nightmare scenario, someone could be selling unauthorized products outside of territories and stopping discount channels from decreasing the value of the brand. Operations will take a hard look at the distribution of products and the quality of the product. 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 administering a licensing program.

AFTERWORD

Pain Points And Resolutions

You did it! You got through four chapters of heavy-hitting information that will keep you armed and ready for your brand licensing battle. Okay, maybe we're being a bit dramatic, but the knowledge you've gained from this small volume will help you through the ups and downs of growing a brand through licensing. Now would be a good time for you to throw on your celebratory playlist.

At Flowhaven, we are obsessed with helping our customers and friends get their brand licensing workflows in order. From newbies with skyrocketing brands to established players looking to level up classic properties, having a basic understanding of the workflows and processes that perform best is key.

Our technology lays out the order of operations for you. We designed it to make mapping easy and automatic. We've pioneered the concept of Licensing Relationship Management, a system that optimizes every part of the brand licensing process to help you perfect your flow and create great licensing relationships.

LRM is the glue that holds sales, account management, brand assurance, and product approvals, sales, and royalty management teams together, which, in turn, paves the way for further business growth. Whether you're a small, medium, or large-sized company, LRM allows you to manage and advance workflows to reach success.



Flowhaven is the Licensing Relationship Management leader that delivers adaptable cloud and mobile technology with a unique, all-inclusive user licensing model.

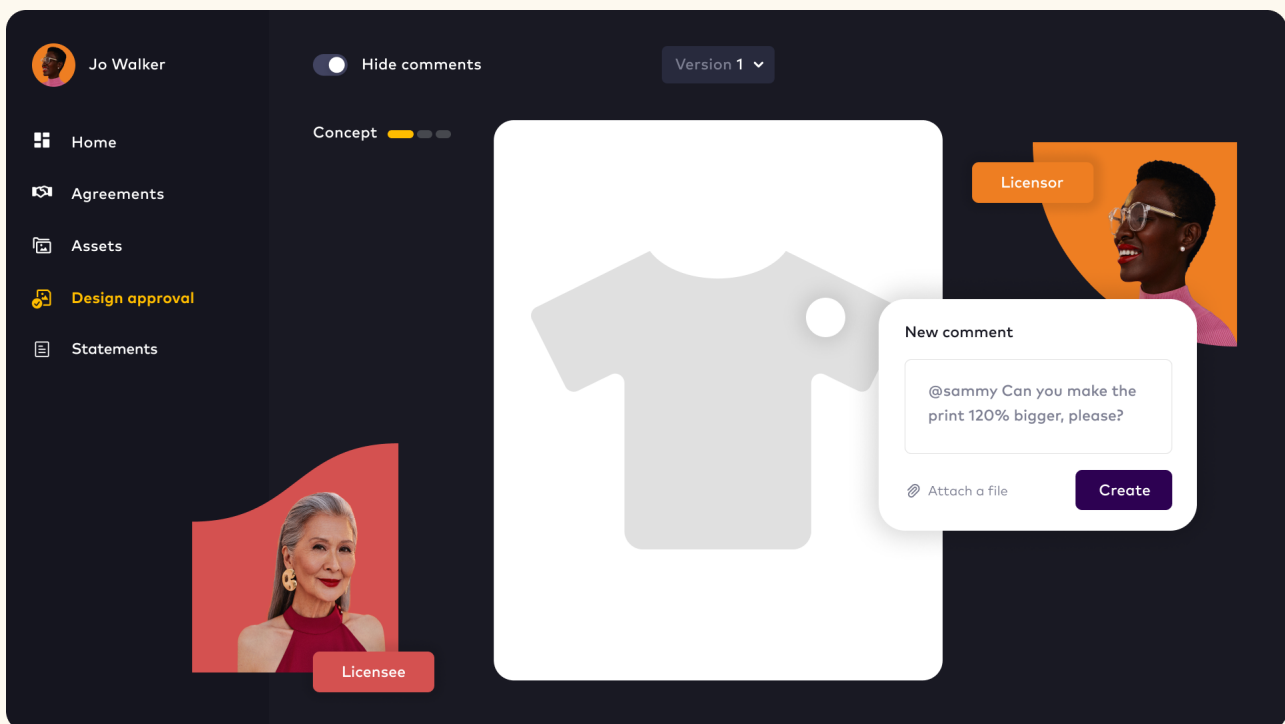
Flowhaven provides a complete real-time view of your licensing business anytime, anywhere, on any device. Through our worldwide network of partners, Flowhaven provides a full suite of licensing management applications, including Agreements, Digital Asset Distribution, Product Approvals, and Royalty Management, as well as separate reports and dashboard features.

Our recommended pricing structure charges per internal user and offers unlimited guest users. This lets companies add partner users as needed and gives everyone the power to access the system.

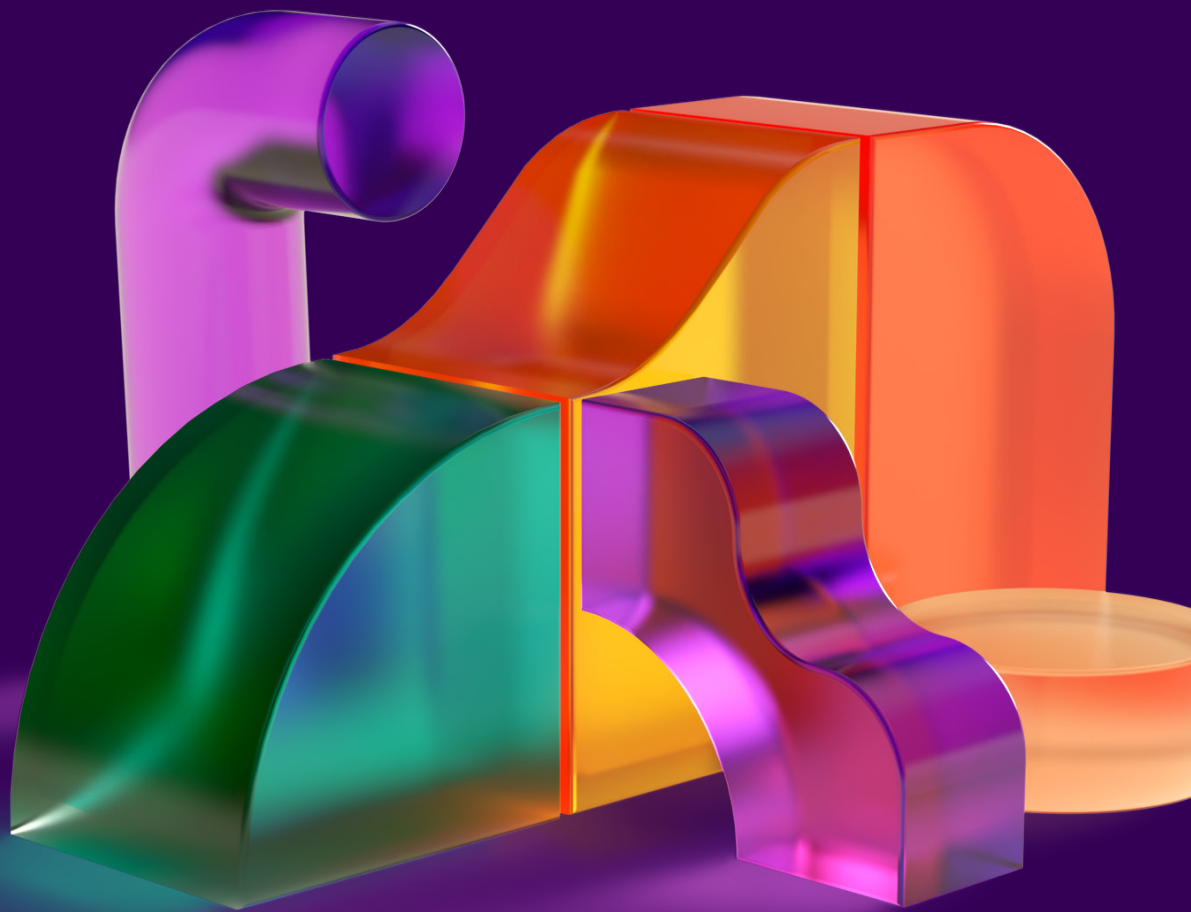
Flowhaven is built on the Salesforce platform. All modules use the same database that means you get the highest level of security and ability to enjoy the power of #1 CRM and a world without additional costs.

Now that you've finished reading this book, it's time to take the next step.

[Visit Flowhaven.com](https://www.flowhaven.com) to book a free demo.



Get licensing flowing fast.



flowhaven