

Starting out Strong

the key to licensing administration

Managing and tracking creative, rights management and royalty validation in one comprehensive system can benefit all parties in a licensing deal

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Sometimes it seems as if a licensing organization's creative team, its sales team and its royalty professionals live in different worlds. Although they may be under one roof, getting your teams to share information relating to the licensing processes is a formidable task. An increased focus on tightening up the links between your departments will have huge dividends in bringing your products to market with fewer resources, stronger communications and tighter controls. A case in point: product development. Often the creative process is done in isolation, and anything goes. But if creatives have easy access to the terms of the deal they can create with those provisions in mind right from the start. This saves time and money and can help prevent unauthorized items from hitting store shelves.

"At the beginning of many licensing relationships, the product approval process is a second thought," says David Gebel, co-founder and partner of Access Licensing Group. "But it will end up being one of the most critical elements of the relationship between the licensee and the licensor and agent."

Channeling Creative

All great products come from an initial creative design, then are continually refined until they're ready to go on the market. Designers and product specialists allow their imaginations to flow as they create their concepts, but at the same time they must work within the constraints of the licensing contract. This means using colors required by a licensor, working with approved type styles and character designs, and creating items and categories authorized by the licensor or agent. In essence, ideas become reality through the approval process.

Designs, preproduction samples, finished products and packaging cir-

culate to the proper parties, both within and outside the organization, and this collaboration allows initial designs to evolve until they transition into saleable goods. If your creative staff is working within the bounds of the contracts from the beginning, the process will be streamlined.

Even more importantly, integrating the creative and contract management processes can prevent unauthorized products from reaching store shelves. "All too often, products are on the shelf and being sold before final written approvals have been obtained," says Jennifer Raugh, CFO Consultant at Premier Accounting. "Licensors have very little tolerance for noncompliance."

Rights Management

In addition to streamlining development costs and preventing unauthorized goods from slipping through, tying the creative process into financial and legal also has benefits on the back end. Integrating creative and contracts is also beneficial from a business point of view. As the product goes through the design and approval process, the administration process is also in full swing. The license administration team tracks who the licensor or agent is and who gets paid; what is being licensed, including restrictions such as on categories or languages; where the products can be sold, including in which territories, distribution tiers and retailers; and how the licensing deal impacts business plans and forecasts. Not only does a system that ties together creative with all of these administrative details increase efficiencies, but executives can look back and see which products did not make it through the approval process and which territories or retailers performed well. This helps inform managers to make better business decisions down the road.

Financial Compliance

The finance department is miles downstream from the creative process, taking over once sales are rolling, managing accounting and generating sales reports. But it is here where the various licensing and creative steps, all

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tracked and recorded along with way, come together. Which products have made it through the approval process? What restrictions apply to each reported sale? Which properties and products are associated with which guarantees? In order to monitor licensed goods, generate royalty and sales statements and ensure proper payment of royalties and guarantees, accountants refer to the information compiled during the creative and rights management processes. If creative and rights management personnel are aware of the needs of the financial management team, the whole process comes together smoothly.

Tying It All Together

All of these processes encompass a great volume of data, which can be difficult to manage and track using email or manual processes. Setting up a fully integrated automation system that ties the approval process to license administration benefits all departments within an organization and all parties involved in a licensing deal. With fully integrated systems in place, you should see an immediate payback on catching unapproved SKUs sold at retail, deductions or allowances not properly taken, out-of-bounds sales, and improperly recouped guarantees. A solution to any of these issues usually pays for the cost of implementing the entire system.

Dependable Solutions, Inc. offers web-based licensing-management software, for licensees or licensors, and show how managing licensing operations over a standard web connection can streamline business