

Choosing a Licensing Automation Vendor: What Are Your Options?

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Trying to keep track of licensing data such as sales, deal points, approvals and royalties – all across multiple channels, categories, territories and partners – can be overwhelming.

Licensors, licensees and agents need to stay on top of all the information swirling around their operations.

To meet this challenge, many licensing companies are looking for automated tools to help streamline their licensing-related financial and contract management. By turning to automation, not only can a company avoid hiring additional personnel to manage the day-to-day processing, but they can relieve themselves of the tedious tasks associated with tracking the status of each contract. This frees up executives so they can focus on making smarter deals and not on paperwork.

Most licensors and agents are demanding that their licensees provide more detailed information, such as reporting sales by channel, market and territory. This requirement creates a larger burden for licensees, licensors and licensing agents alike, as each tries to monitor or comply with the many points incorporated into every licensing agreement. Tracking the quantities of product licensed, approved, produced and sold, not to mention monitoring compliance with each deal point, is a task that can swamp a licensing operation of any size.

Fortunately, much of this information is scientific and quantifiable, and therefore can be automated. Automation not only brings benefits in terms of financial reporting, but also in terms of helping licensing executives make sound strategic and business decisions based on accurate information.

Automation Options

There are three primary tools licensing companies can use to automate their royalty tracking and contract management tasks. The first is to use Microsoft Excel to create

a licensing database to categorize and sort licensees, properties, SKUs, deal points and approvals. This was the tool of choice in the early days of automation. It helped licensors, agents and licensees appreciate and understand the complex interrelationships between various types of licensing information, and to properly track licensing activity. But it also kept executives up nights trying to sort and link their growing spreadsheets.

While Microsoft Excel allows you to quickly set up databases for a handful of deals, it becomes unwieldy when there is a multiplicity of contracts to track. Even if you master the pivot tables and interrelated worksheets, your head starts aching when you try to match duplicate data files – assuming, of course, that you can find where the data belongs in the first place.

Meanwhile, security is lacking, since once you are in the spreadsheet you can go anywhere and do anything. There comes a point when you have no choice but to go to your IT department and request a structured, secure database. Most IT departments cringe when they see that you reached the 65,000 line item limit in Excel 2003 without a database holding the information.

After Excel, the second option is to create a custom system to handle your licensing financial management. This has been a popular choice for large organizations that have well-funded IT departments or the ability to hire high-priced consulting teams, especially since the Y2K scare.

Benefits of this approach are that the system is tied directly to the specific organization's business, and that it is secure and easier to use than Excel.

On the other hand, a custom system typically lasts just 18 to 60 months before needing updating. Creating, maintaining and refining the system all eat away at precious IT budgets. In fact, organizations with custom systems have learned over the past 10 years or so that about 70% of the cost of software applications is spent in routine maintenance just to keep the applications running. Add to that the continual updates and licensing department design requests needed to keep the software current, and

the price of ownership quickly becomes exorbitant.

That brings us to the third choice, available software packages that specifically address the royalty tracking, contract management and financial management needs of the licensing industry.

Software Packages

A number of vendors offer licensing financial management solutions to licensors, licensees and licensing agents in the merchandising industry. All the companies' products offer many of the same features, which can be confusing for licensing executives trying to make a selection.

However, each of the primary vendors has its own individual characteristics. Some have been in business for over two decades and have a large established base and significant industry experience on legacy platforms, while others are new to the market in the last few years, boasting brand-new technological solutions.

Most cater to licensors and agents only, but a few target licensees as well. The applications typically reside on servers, but two are 100% web-based. Some companies are very high-end, charging a premium and targeting only the largest licensing companies, while others are appropriate for licensing companies of all sizes. Finally, several of the vendors are cross-industry and able to handle a wide variety of intellectual property types, while a few are dedicated specifically to trademark licensing.

A search of the Licensing Database on the LIMA website will unearth a list of member companies dedicated to Software Support Services.

All licensing organizations would benefit from shopping the available licensing application vendors for a possible solution to their royalty and contract-management needs, before they jump into a custom system or hire additional personnel to handle Excel-based spreadsheets. There are many potential options already on the market that will help you handle your licensing workload without the burden of developing and maintaining an internal system.