

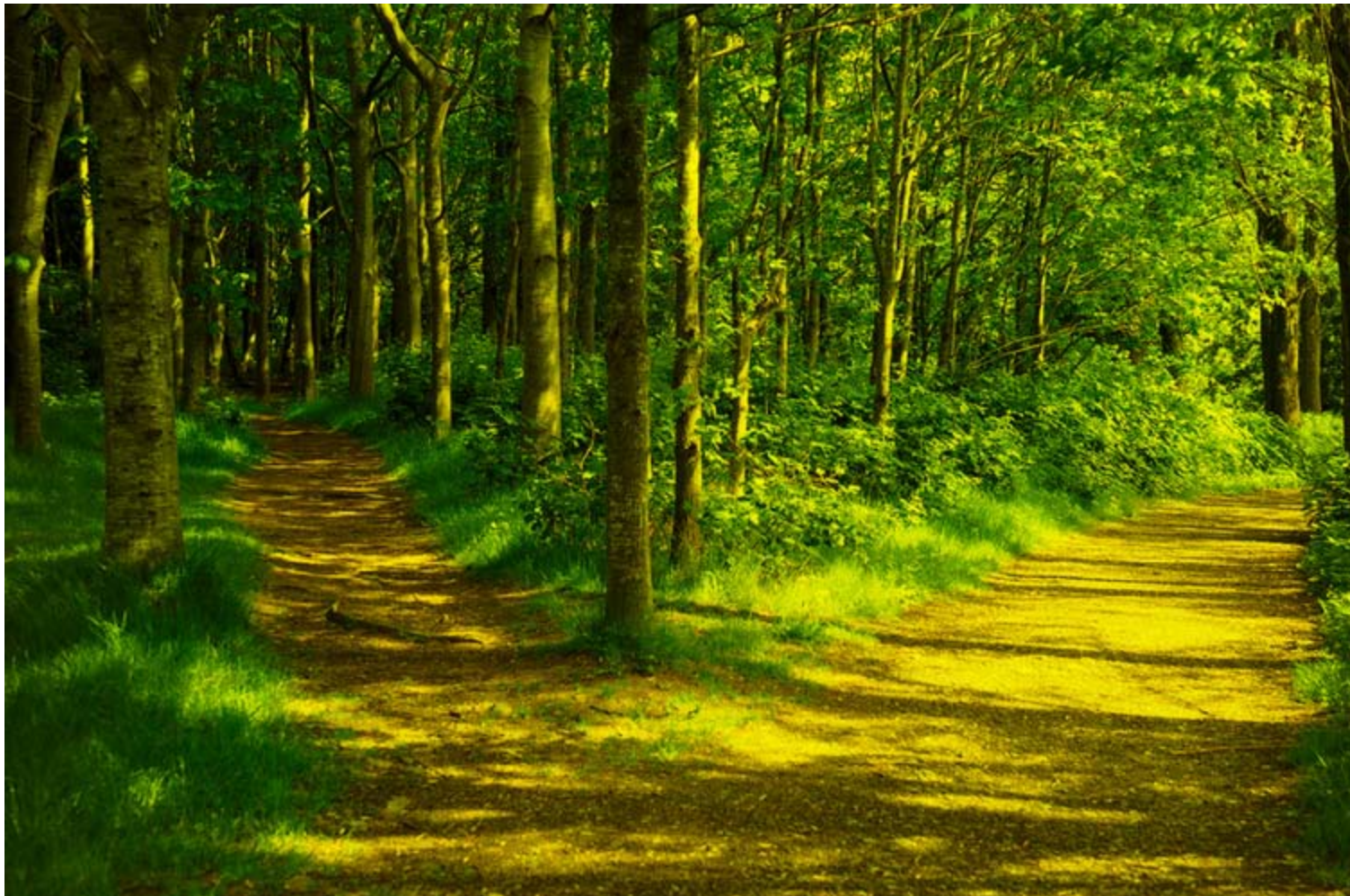
31 Aug Self Produce or License Your New Concept: Two Roads Diverged in a Yellow Wood

Posted at 18:17h in Business Tips, Licensing by WIT Staff • 0 Likes •

This article is part of the WIT Empowerment Day Mentorship Series, which provides insight and advice from top toy industry experts.

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So you've come up with a great concept. A new character or storyline, maybe a toyetic property or even a new invention. It's got all the elements of a sure-fire hit. NOW WHAT? Do you embark on production and sales of your product yourself, or find an alternate pathway?



Self-production may seem the most obvious choice, and can often lead to great success. But this route also entails significant costs and risks. I've seen it happen time and again. An overly ambitious leap with the greatest intention: you develop samples, spend a small fortune on travel and elaborate trade show booths, and try to knock open doors with buyers at everywhere from Walmart or Toys'R'Us to local stores or small consumer trade shows. And all too often, that leap also includes production of initial inventory. After all, the determined creator thinks, "How can I sell anything if I don't have the inventory?"

And the costs can add up very quickly: development time, artists and graphic design, molds and samples, attorneys for copyrights and trademarks, maybe even patents. I've seen creators spend tens, if not hundreds of thousands of dollars, with nothing to show for it but a garage or warehouse full of inventory – product for which the new entrepreneur probably paid more than he/she should have and which very often is not even salable for a myriad of reasons unknown to novice, but readily apparent to industry veterans.

So my point today is to tell you to "wait!" Slow down just a minute. Carefully evaluate the landscape and consider your choices. There are two roads diverged in this golden wood, and one is a much safer alternative. A game plan that not only reduces the costs and risks, but at the same significantly increases the likelihood of success. An opportunity to align yourself with experienced industry professionals who already have the production sources, the compliance and quality control, the logistics and fulfillment, and perhaps most importantly, the relationships with the buyers at all the major retailers that you need. And let me let you in on a secret – It is precisely these buyers that can make or break your company, not the consumers.

So what is this pathway? This secret road to success? This game plan that will reduce your upfront expenses and increase our opportunity for success? It's called licensing! A very clear and established business model that allows you and other creators to align yourselves with established companies in your industry, under a structure that provides for participation in the success of the property, but without the downside risk, and without having

to forfeit ownership of your creation.

Very simply, licensing is a business method where you, as an owner of certain “intellectual property” (your creation or invention), grants certain rights to another company to develop and manufacture products based on that property, in return for which you receive a royalty – a payment stream to the creator for the life of your agreement with them.

Now, there are lots of finer details, and lots of questions on the terms, the percentages, how long the agreements last, how broad of a grant (is it for all products or only certain products?) and of course, approvals and maybe even performance standards. But these details are always subject to negotiation. The key here is that as a creator, you need to know there is a very viable alternative pathway that can lead you to success. Licensing will allow you to partner with established enterprises to manage and finance the business affairs, and allow you to concentrate on what you do best, create!

Of course, licensing is not a guarantee. It has its own inherent risks and downsides as well. First off, you need to be sure you are aligning with the right partner, a company that shares your vision for the brand, the products and channels of distribution. You also want to be sure that they are committed to the project, including personal and financial commitments. And in this regard, since you are now effectively adding a partner, you will naturally give up some control and some of the upside revenue.

But these two concessions seem to be more than adequately offset by the knowledge, experience, connections and financial backing that your new business partners bring to the relationship. Their direction and insight can help you avoid costly mistakes. Their relationships can save you valuable time and energy. And as for the financial concessions? Giving up some or even a large portion of the upside revenue? Well that is simply the trade-off for reducing the risk and downside financial exposure.

And thus, this becomes the decision point for you and virtually every creator or inventor. Two roads diverged in a yellow wood. As you stand at that fork in the road, and look at the divergent pathways, consider your choices very carefully: one that presents a winding road of uncertain terrain that may be costly and difficult to navigate, and the other, a more direct route with potentially much smoother pavement with a chaperone to guide you on your path. And that choice can make all difference.

Top 10 Benefits of Brand Licensing

For an inventor or a creator of new property, Licensing can provide the following benefits:

1. Create new and consistent sources of revenue without significant financial expenses or drain on personal time and resources.
2. Efficiently develop new products and enter new markets without typical barriers to entry.
3. Utilize the efforts of seasoned industry executives and relationships with buyers and retailers.
4. Tap in to licensee's existing stream of commerce.
5. Eliminate need to create new infrastructure and administrative tasks.
6. Allow the creator to focus on the creations and concepts.
7. Rapidly expand product offerings utilizing multiple licensees' expertise, resources and efforts.
8. Protect and strengthen trademark ownership and new trademark categories.
9. Create diversity of product offerings and broaden retail presence / cross-promotional opportunities.
10. Increase brand awareness and create long-term competitive advantages and long-term value.



Steven Heller is a trademark and licensing attorney and founder of The Brand Liaison, one of the licensing industries' leading boutique licensing and brand management agencies. The Brand Liaison staff is among the most diverse in the industry with experts across a broad range of product classifications. Mr. Heller is a renowned public speaker and also a professor of business and law at both the graduate and undergraduate levels.

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