

Licensing royalties. Cost or marketing investment?

By  Alan Radmall

14 Aug 2019

Royalties paid for character licensing is not a direct cost to business - it is a marketing cost to increase sales, help build brands and, more importantly, profit margins.



Image credit: Jonathan Kemper on Unsplash.

Buyers often see character licensing as a short-term sales tool and a direct “cost to business”. But character brand licensing should be used within a companies’ strategic marketing strategy to increase sales and margins.

Here’s how

This is the accepted model for measuring the value of a product to its target market:

The value of a product or service to a buyer = $\frac{\text{Performance}}{\text{Price}}$

Increase the “performance” or “lower the price of a product” and the value to the customer/buyer increases.

And makes it more attractive to purchasers, than a competitors’ product.

We are in the age of parity products and as a result, it is very difficult to gain a market advantage and add customer value by increasing “performance” or decreasing “price”.

This is where character licensing plays a vital role. The answer to giving a product or service an advantage in the marketplace is to change the value equation to add the vital element that is key to a brand or product.

The value of a product or service to a buyer = Performance + **Emotion** / Price

Emotional link

Adding a high-existing emotional link between a much-loved character and the customer to increase the value of a product or service to the customer is the job character licensing does and makes the product of more value to the customer – and more likely to be purchased.



Miniso launches *Adventure Time* product range

11 Feb 2019



The real story of the Barbie doll: strong female leadership behind the scenes

Bertrand Venard 12 Jul 2019



If a character you are considered for a licensing strategy does not have a substantial existing emotive link with your target market (and there are thousands out there) you may end up tempted to purchase a cute character “design” with little emotive links to your customers.

“

[View this post on Instagram](#)

[Shaped in the form of Mickey Mouse, a new bag created from a 3-D printing technique, part of #GucciSS19 by @alessandro_michele.](#)

[Discover more through link in bio. #AlessandroMichele ©Disney](#)

A post shared by [Gucci](#) (@gucci) on Apr 14, 2019 at 5:00am PDT

”

This will not offer the added value you are looking for within a licensing strategy.

So, where did we start? Royalties paid for character licensing is not a direct cost to a business to be directly written off – it is a marketing cost to add value to a product, service or store to increase the emotional link between your product and your customer. To increase sales, margins and profits. And a well-planned, long-term character strategy will certainly make this happen.



Who owns the copyright to musical works?

Thando Zibi 28 Jun 2018



How blockchain will disrupt the entertainment and media industry

Paul Mitchell 12 Nov 2018



Next time let's look at character licensing and the benefit it adds to impulse purchasing. Many people fall victim to the last-minute impulse purchase. In fact, [90% of shoppers buy items not on their shopping list](#), indicating that the impulse buy is alive and well – according to a new survey.

ABOUT ALAN RADMALL

Generating revenue from Entertainment Brands. Representing Global Entertainment companies/studios like Warner Bros and Turner Cartoon Network. Batman, Transformers, Superman, Ben 10 and many many more.

- 2020: Building the emotive link between customers and our brands - 12 Dec 2019
- Licensing royalties. Cost or marketing investment? - 14 Aug 2019

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>