



## Best Practices in Licensing Product Development

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The roller coaster of product development can be complicated in its own right, but when working on product development for a licensed product there are additional factors that must also be considered. Typically, licensees have a good grasp on their product development processes and timelines. However, what is often overlooked when planning the product development of a licensed product is the licensor's approval checkpoints. The key to successful licensing product development is melding the current practices of the licensee with the approval process of the licensor. Both parties should be sure to manage expectations, track everything and check-in along the way.

### MANAGE EXPECTATIONS

One of the biggest problems when working with licensees and licensors is that the expectations are not clearly defined between the two parties and frequently assumptions are made. In order to manage expectations from the beginning of the relationship, it is best to:

#### Read the Contract

Typically the people who negotiate the licensing contract are not the people who manage the product development of the program. All parties involved with managing the program, both licensees and licensors, should read the contract at the beginning of the relationship and have an understanding of the requirements.

#### Have a Kick-Off Meeting

Once the contract is signed, it is beneficial to have a kick-off meeting with all parties involved in product development. This meeting should be scheduled for three to four hours; it can even take up to a full day. The kick-off meeting should cover specific requirements that are outlined in the agreement along with marketing plans, consumer testing and retail sales plans. It is best to have an agenda for the kick-off meeting to make sure you cover everything.

#### Be Mindful of Licensing Guidelines

While the contract is a great place to start, usually not all guidelines and procedures are specifically spelled out in the contract. For example the licensing contract specifies that you must submit packaging artwork for review and approval but it does not clarify how to actually submit the artwork, what format the artwork should come in or how feedback will be provided. Create a licensing guideline packet with materials including brand style guide information, a contact page with all key people included, a flow chart of the packaging artwork approval process and royalty payment information. If you are a licensor you should provide licensing guidelines to your licensee; if you are a licensee you should request this information from your licensor.



### Don't Rush Everything

Anyone who has been involved in the product development process has experienced a "fire drill" and this seems especially true in licensing product development. For example, many licensees will ask for rush approval on everything they submit threatening that if they don't have final artwork to send to the printer by first thing tomorrow, they are going to miss their ship date. Not everything can be a fire drill in a licensing relationship. When everything is positioned as a rush situation, it lessens the impact in real emergencies. Licensees need to be sure that they are allowing for sufficient time for the licensor review and approval process and time to make changes that are often requested. Licensors should have a system in place to provide timely feedback to licensees, one to two weeks at the most. While it is typically the licensee pulling the fire alarm, this rule also applies to licensors as they also have a tendency to ask for things at the last minute.



### TRACK EVERYTHING

It is important for both parties to keep good records and track everything along the way. This step seems like a no-brainer but can often be overlooked and cause trouble down the road.

### Put Everything in Writing

This step is the golden rule of licensing product development. **Everything** should be put in writing especially all approvals. It is important to recap all meetings, conference calls and any other forms of communication. When dealing with approvals, it is critical to be clear on what you are approving. If a licensor says "Looks good" to artwork you have submitted for approval, "Looks good" may or may not be approval. The licensor should say "Approved" if they mean approved and they should also specifically spell out what they are approving. If a licensee is unclear about approval they should ask for clarification. It is helpful to have an approval form for this process as it provides written verification of approval on specific submissions.

### Understand Quality Requirements

From a quality requirement standpoint, the licensee should know what is required of their products – regulations like FDA, CPSC, EPA, Prop 65, REACH and Social Compliance. If the licensor is going to require additional quality testing, this should be clarified and understood upfront (and should be in the licensing contract). On top of quality requirements, brand owners will often want to audit the manufacturing facilities whether this is a food or non-food product. Sometimes the brand will send an internal team to complete the audit and other times a third party will perform the audit. Whatever the requirements, make sure that they are discussed up front and documented.





### Substantiate Claims

Packaging claims and promotional claims are areas of licensing product development that often cause a lot of trouble. Licensees are responsible for all claims that they use, and they should be able to provide substantiation to licensors when submitting for review and approval. Claim substantiation must be quantitative data that would hold up in court if questioned. Having 20 employees or friends test your product and say it works well does NOT qualify as substantiation. Licensees should have legal guidance on claims used on licensed products. As a double check, the licensor will typically have their internal legal team review all submissions and they will require substantiation for claims made.

### CHECK-IN ALONG THE WAY

A licensing deal is not a quick one-time transaction between the licensor and the licensee but a partnership. For a program to be launched successfully, the licensor needs to work closely with the licensee checking-in along the way.

### Schedule Status Calls

Status calls during the product development phase are a helpful tool that keep all parties on track and accountable. These can be scheduled weekly or bi-weekly to keep things moving along. It is best to have these calls scheduled as a standing appointment on calendars and not just scheduled on an as needed basis. You don't want to wait until you have a problem to schedule a status call. You want to use the status calls as a check-in point, and when problems do arise you already have time set with everyone to discuss.



### Have a Timeline with Key Dates

One of the first questions often asked is, "Do you have a timeline?" The licensee should provide a high-level timeline with key dates at the beginning of the product development process. This timeline ties back to managing expectations of both parties. If licensors are aware of the key dates that need to be met, they will do everything that they can to ensure that their additional review and approval processes do not holdup the product launch. When the licensee is creating the timeline, it is best to build in cushion time for shipping the product. It is also important to note that the approval process usually takes longer than expected. Use this timeline as a reference point along the way and be sure to acknowledge your progress during your status calls.



### Have a Master Check List

Typically there are several steps to address and check-off during the product development phase. It is best to create a master checklist of everything that needs to be accomplished. You want to make sure you are keeping track of all requirements so nothing slips through the cracks or becomes an issue down the road. This not only helps as you work through the product development process but can also be used as a reference tool for future projects.

### Conclusion

These guidelines can be helpful tools when working through the licensing product development process but it is also important to note that no two licensing deals are the same. Both licensee and licensor need to be flexible throughout this process and need to keep the lines of communication open. The roller coaster of licensing product development is filled with many ups and downs, and curves and loops, but in the end the thrilling results of a great new consumer product make it a worthwhile ride for all involved, especially the consumer.



**About the Author-** At IMC Licensing, Emily is responsible for product development management and advises both clients and manufacturers throughout the product development process. Emily has been working in licensing product development for 4 years and has worked with some of the biggest CPG brands to launch new consumer products. Emily earned a B.A. in Advertising and English from Western Kentucky University and is currently working on her M.B.A. at Indiana University Southeast.