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ANALYSIS OF BRAND LICENSING MARKETING STRATEGY

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Abstract: The licensing of a brand is used as a marketing strategy for growth and development of a company. Namely, the case is about a business model that brings the benefits both to givers and receivers of a license. Benefits of the mentioned business model are numerous: contribution to generation of the additional sales and profits, creation of the new value, bringing of the new customers, the opportunity to enter the new markets. Also, it creates the conditions for the new sales channels, and accomplishing the economies of scales. Afterwards, it influences the creation of a perception and recognition of the brand of a producer and its products among the consumers. The value of a licensed brand is a dominant determinant of a value of a company capital in a long run. The structure of operations includes a few pieces. The attention is first directed towards the concept of licensing and its role and meaning. Following that is the comparative analysis of the basic market indicators of the ten global licensed brands. The next part of research covers a methodology for calculating a value of a licensed brand and royalties. The last part of the paper covers the analysis of the license fees payment methods.

Key words: *licensing, brand, brand licensing, brand value, royalties*

INTRODUCTION

Through application of the marketing concept that is based on recognition of a brand licensing, the possibilities for a wider use of this form of business are being made in domestic companies. The licensing of a brand enables businessmen to create the comparative and competitive advantage as well as development of a company. Also, it influences the creation of additional sales and an additional value, it attracts new buyers and enables the entry to new markets and sales channels. It enables

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the producer to differentiate its products from a competition and create the additional awareness and recognizability of the products among consumers. It does not matter if it's about licensing in economic or non- economic sector, in the domain of products, services, medicine, pharmacy, sport, automobile industry, tourist destinations and such, it is important to note that the case is always about certain brand. Based on what is mentioned, in practice there is a classification on brands of products, services, pharmaceutical brands, sport teams etc. The authors that focused on the issue of licensing are: Tandon (1982), Meyer, Cathie, Tinney (1985), Lane (1988), Otto (1997), Bessy & Brousseau, Perier, Degnan (1998), Anan & Khanna (2000), Fauli-Oller & Sandonis (2002), Lach & Schankerman (2004), Boot (2006), Boot & Hayes (2006), Alcacer, Cantwell & Gittelman (2008), Pereira (2011), Beattie (2012), Zemla (2012), Fadaïrom (2013), Jayachandran, Kaufman, Kumar (2013), Medić i Zlatović (2013), Hosany et al (2013), Barazza (2014), Smith & Parr (2014), Robinson, Tuli & Kohli (2015), Cross (2015), Kolaković (2018), Cardinali, Travaglini & Giovannetti (2019) etc.

The brand licensing is equally important for both foreign and domestic markets. Having in mind that the modern business treatment of a brand bases primarily on its value (Terzic 2019) in the following part of this paper one section will be dedicated to calculation of a brand value based on the business licensing model. The brand licensing is in a direct correlation with the rest of intangible elements, that is segments of nontangible property such as intellectual capital, franchise, relationships with buyers and distributors etc. Licenses just as franchises have its pros and cons. The main difference between the license and franchise that the licenses are primarily used in manufacturing activities, while the franchises are primarily used in customer service industry. By recognizing the importance of a brand licensing and the importance of investments towards it as well as all other segment of nontangible property, we arrive to final effects which the management over this category brings, and that is an increase in value, primarily of a marketing property of the company, and then of the whole company as well.

1. THE RESEARCH METHODOLOGY

The first hypothesis is: *the licensed brand value is the dominant determinat of the company's capital value in a long run*. The additional hypotheses are also taken out of the main one. The first additional hipothesis says: *the predictor of a company development is the appropriate*

level of professionalism of the marketing managers, competence and branding skills as a market instrument which needs to be implemented in the strategic operations of a company for a great company business growth, and at the same time the efficient integration into contemporary business flows.

The second additional hypothesis says: *to efficiently manage the brand as a marketing tool, it is important to build the strategy for its licensing.* The paper will show us that by using the marketing concept based on brand licensing the possibilities for a wider use of a mentioned concept are being made in the domestic companies.

Knowing the brand licensing strategy would create the possibilities for greater investments. Implicitly, it leads to the end effects of a brand licensing which is an increase in a whole company value. Brand as a nontagible category influences the company business development. Additionally, it is a strategic tool in order to create a comparative advantage on a business level in Republic of Srpska. Based off of it market value the possibility for an increase of the efficient and effective business in a company's marketing department is being made.

Branding like a marketing category implied the establishment of a business in agreement with the market regulations, on one side, and creation of possibility for need fulfillment of all involved sides, on the other side. The paper needs to answer the following questions: What does the brand licensing concept mean? Then, how is it done and how present is it in practice? The goal of the author here is to contribute to recognition and increase in knowledge about marketing strategy of a brand licensing as a tool to gain the comparative and competitive advantage of a company.

Will the investing in brand licensing serve as a chance to increase the market position in the context of modern management in Republic of Srpska? Also, this work needs to uncover which licensed brands had the greatest sales and position on an international market? What are the benefits of licensing and how to calculate the royals and brand value in order to evaluate the effect of investing?

For testing the given hypotheses the following methods will be used: analysis method, induction, deduction, the parallel analysis method, the monetary flows discounts, and the method for determining the royals and brand value. Also, the resources will be pulled out of both domestic and foreign literature, publications etc.

2. THE CONCEPT OF BRAND LICENSING AND ITS PRACTICAL USE

There are different definitions for brand licensing and in the following part of the paper we will mention some of them.

The subject of analysis will be both the concept of licensing and the concept of a brand licensing.

According to author Kotler, licensing is a simple way for a company to engage in the international market. At the certain fee the licensor gives the license to a foreign company to use its production process, trademark, patent, business secret, or some other valuable property. With that the issuer enters a new market with the minimal risk, and the license user gains a professional knowledge for a production or the rights to a well-known product or a brand name. (Kotler, 2017)

According to author Linderman, "Licensing is a contract in which the owner of a brand gives a permission to a third party for an economic use of its brand." (Linderman, 2010). The main advantage of a brand licensing is that this is one of the fastest growing sectors in the licensing industry.

The group of authors, as well, mentions following different definition. Licensing of a brand can be analyzed as a "contract based on which the user gains the right to use the name of a brand under the ownership of a licensor for production, for sale, promotion and distribution of products on a certain territory during a certain time period." Or, as the use of a name and symbol of previously established manufacturers, designers, famous people for their products of wide use based on the fee paid to a license giver." (Cardinali, Travaglini & Giovannetti, 2019). Licesing and research can have a positive correlation with inovations and economic prosperity. (Degnan, 1998). This way the rights on intellectual property are used without need for the ownership transfer. This enables the expansion on a wide assortment of a production category from products with the wide use to luxury goods. (Hosany et al., 2013) Namely, it's about the marketing tool for a brand expansion with is equally used in the multinational companies as well as small businesses. (cantonfair.net.hr/event/1495-licensing-expo-china, приступљено 12.09.2020.). The group of authors have a stand that "brand expansion and licensing are used as two separate strategies of branding, that is licensing should be understood as an "external" brand expansion. (Valsh, Rhenvrick, Villiams & Valdburger, 2014). Marketing managers of many companies while evaluating whether they should go for establishing a new brand or licensing, usually choose the second option. The existing

empirical proofs show that majority of licensing contracts in practice include the positive license (Samuelson, 2010).

Namely, the licensing benefits are multiple: it influences the branding strategy development, it enables the entrance to other markets, it contributes to gain of a priceless professional knowledge, skills, and abilities because of collaboration with the greater international companies and famous brands (Cardinali, Travaglini & Giovannetti, 2019). Parallel to that, it positively influences the recognition and image of products, services, and brands. Through the licensing contract it is necessary to define certain elements such as: part of the property that is licensed, subject whose property is becoming licensed, the geographic range of a license, the commercial scope of a license and the license duration. (Perrier, 1998)

We can differentiate the two licensing categories whose combination needs to be balanced in a global portfolio: investment categories that need to improve the brand status, that is, to have a benefit from the image and consumption category which enable the financial inflows. Licensing is significant in every phase of a brand development. (Pyet, 2014).

According to global reports for licensing in 2018, ten of the global licensed brands have made the income in the amount of \$137 billion from retail. From the mentioned amount the largest part belongs to The Walt Disney Company in the amount of \$52.5 billion (The Top 150 Global Licensors, [licenseglobal.com/magazine/top-global-licensorspdf](https://www.licenseglobal.com/magazine/top-global-licensorspdf), pristupljeno 12.05.2020.)

What is interesting is an example of a leading international company in the area of media and entertainment, called Disney which through licensing its trademark (animated movies, name, logotype, toys producers, clothes, shoes, watches etc.) in use for different purposes in 2011/12 earned \$42 billion.

The brand licensing is especially present in the areas such as: entertainment, internet technology, pharmaceutical, textile and shoe industry, food industry, then art such as film and music, different segments of sport etc.

Marketing strategy of brand licensing practically is present in a non-economic sector as well. One of the global licensing industry segments is sport. It includes licensing of team or league brands, logotype, symbols, photos of the players under the ownership of the clubs that they play for. Therefore, sport clubs, in the given context are the licensers who rent certain right to licensee in return for a specified fee. The American sport market is divided on five segments, that is on five main professional

sport leagues: National Basketball Association (NBA), National Football League (NFL), National Hockey League (NHL), Major League Baseball (MLB) and The National Association for Stock Car Auto Racing (NASCAR) which make-up for 73% of North American market (Kwak; Kwon, Lim 2015).

Interesting is the licensing example in American and European market of sport in 2010. The top-notch football leagues in Europe have generated an income in the amount of 631 million euros from retail. National Basketball Association in America sold branded goods in the amount of \$2.75 billion. (<http://www.investopedia.com/terms/licensing-revenue.asp>. pristupljeno 01.04.2020.)

A Chinese licensing fair which only in a few days has over 51,500 visitors is a best indicator of how significant licensing is.

3. ANALYSIS OF CONDITION OF THE GLOBAL LICENSED BRANDS

In the following part of paper the analysis will focus on basic characteristics of ten global companies based on following parameters: the year of company establishment, industry type, incomes from sales, employment.

Table 1: Analysis of basic indicators for ten global companies that do licensing

Name of a licensed brand	Establishment Year	Industry/ Portfolio	Sales incomes	Employment (year)
The Walt Disney Company	1923. California, USA	-TV and production, movies and music, amusement parks, radio, web portals	\$69,57 million in 2019	223.000 (2019)
Meredith	1902., Iowa, USA	-TV, newspapers, web locations, radio	\$810,5 million in 2018	7.915 (2018)
PVH Corporation	1881., NY, USA	-Textile industry, brands such as Tommy Hilfiger, Calvin Klein, Izod, Arrow, Warner s, Olga, Van Hansen	\$9,7 million in 2018	19.600 (2017)
Iconix Brand Group	1978. NY, USA	-clothes, athletic shoes, brands, Kohl s, Kmart, Sears, Macy s, Target, JC Penny	\$400 million in 2014	120
Warner Bros	1923. California, USA	-film industry, TV, publishing, videoe games	\$13.866 million in 2017	8000 (2014)
Hasbro	1923. Rhode Island, USA	-toys, games, sport clothes,	\$4.58 billions in 2017	5.800 (2018)
Sanrio	1960. Japan	-fashion, supplies, gifts, entertainment and video games	74.233 Japanese yen	759 (2017)

Major League Baseball	1903. (USA – Canada League)	- games, sport and electrical equipment	\$4.58 billion in 2018	5.800 (2018)
Nickelodeon	1979. the first American tv channel for kids and dedicated to kids and adolescents between the ages of 2 and 17	- clothes, supplies, publishing, entertainment and other		11.949
Collegiate Licensing Company	1981., Atlanta, USA	- it gives its services at more than 200 colleges and universities, conferences, it manages the satellite companies in certain American states	\$4,6 billion (unknown time period)	

Source: Table is a result of a summary from official websites of the mentioned companies

By analyzing the previous table it is evident that only one corporation does not originate from the United States of America, and that is a Japanese company “Sanrio” which has an exceptionally wide production assortment. It has been present on the market for about sixty years. Namely, if we analyze second column in the previous table, we can note that these are all companies with a long lifespan. Considering the mentioned parameter, companies can be sorted into those who have been present for around hundred years (six companies), companies which have been present for about fifty years (one company), and those companies that have been in the business for less than fifty years (three companies). Then, if we analyze fourth column of the previous table in which are the incomes of retail, we can state that mentioned companies have extremely high incomes which are in the amounts of billions of U.S. dollars. The mentioned income values are primarily accomplished due to a very long lifespan of the analyzed companies, wide production assortment, great brand portfolio, and the great size of the market on which they sell their products. If we pay attention to income value made off of sales, in this part of the paper we partially prove the main hypothesis that the brand value is a dominant determinant of a company’s capital value.

Table 2: Comparative analysis of incomes for the ten global licensed branded companies for 10 consecutive years (billion US \$)

SN	Name of a licensed brand	YEARS					
		2014.	2015.	2016.	2017.	2018.	2019.
1.	Disney	45,2	52,5	56,6	54,7	54,7	54,7
2.	Meredith Corporation	17,7	20,1	22,8	23,2	25,1	26,5
3.	PVH Corporation	18,0	18	18,0	18	18,0	10,6
4.	ICONIX Brand Group	13	13	12,0	7,0	7,0	

5.	Hasbro	5,06	5,9	6,2	7,1	7,1	6,9
6.	Warner Bros Consumer Products	6,0	6	6,5	7,0	11,0	11,0
7.	Sanrio	6,5	5,9	4,4	4,6	4,0	4,4
8.	Nickelodeon	5,5	5,5	5,5	5,5	5,5	
9.	Major League Baseball	5,5	5,5	5,5	5,5	5,5	
10.	Collegiate Licensing Company	4,55	4,65	4,5	4,5		7,0

Source: http://www.licenseglobal.com/ranking_and_list/top_150global2019, http://www.licenseglobal.com/ranking_and_list/top_150global2018, http://www.licenseglobal.com/ranking_and_list/top_150global2017, http://www.licenseglobal.com/ranking_and_list/top_150global2016, http://www.licenseglobal.com/ranking_and_list/top_150global2015,

If we analyze a business year 2019, we can conclude that seven global companies have made the profits from sales in the amount of \$121.1 billion. If we analyze the previous table we can see that ten of the global licensed brands have the exceptionally high incomes from sales in the past six years.

If we analyze the income from sales of the company „PVH Corporation“ in 2019 compared to 2018 we can conclude that there was a decline of 41.2%. Then, through analysis of Hasbro company income in 2019 compared to 2018 we can conclude that there was also a decline of 2.9%.

By analyzing the income of a company Meredit Corporation in 2019 compared to 2018 we can see that there was an increase of 5.57%.

Through the following analysis it can be concluded that one American corporation called Warner Bros in 2019 made a in increase in sales of 83.3% compared to 2014. Then, follows the media corporation Meredit with the increase of 49.7% in 2019 compared to 2014. American corporation Disney has recorded an increase of 21% in 2019 compared to 2014.

4. EVALUATION OF A BRAND THROUGH THE METODOLOGY OF ROYALS AND DISCOUNTED CASH FLOWS

In the following part the methodology of evaluation of a brand based on combined method of royals and discounted cash flows will be shown.

Valorization of a brand based on methodology of royalties include following phases:

1. Take into account invoiced values per year,
2. Calculate yearly royalties (based on annual royalty rate),
3. Calculate the tax fee (based on tax rate),

4. Calculate the value of a netto - royalty
5. Calculate the value of discounted royalties (present royalty value)
6. Calculating the brand value (using the formula)

Royalties are annually calculated based on following formula:

$$R = r \cdot S,$$

where:

S = invoiced value of a product with the brand which is the subject of evaluation

r = royalty rate, taken from the market, which shows how much the hypothetical concurrent which does not own the brand would be willing to pay for a concession, that is a license for using trademark.

In the following part there is a hypothetical example for brand value estimation (present royalty value) and based on that there is a calculation of a brand value over a period of 16 years.

Example:

In the following table the yearly royals are calculated by multiplying the rate of 14% with the predicted profit of a branded company. The evaluation is related to a period of 16 years, for years that period of explicit forecast of financial plan is referred to. What is done is the review of estimated invoiced amounts together with taxes, while the growth rate of 3% is assumed for following years. Royals are, therefore, discounted with weighted average cost of capital equal to 8.11%.

Table 3: Royalties for bags³

Years	Invoiced value	Annual royalties	Tax 33%	Netto royalties	Discounted royalties (mil. Of euros)
1	55	7,7	2,541	5,159	4,7719
2	66	9,24	3,0492	6,190	5,2961
3	79	11,06	3,649	7,410	5,8643
4	95	13,3	4,389	8,911	6,5232
5	109	15,26	5,0358	10,224	6,9229
6	126	17,64	5,8212	11,818	7,4019
7	145	20,3	6,699	13,601	7,8796
8	166	23,24	7,6692	15,570	8,3437
9	183	25,62	8,4546	17,165	8,5083
10	201	28,14	9,2862	18,853	8,6441
11	221	30,94	10,2102	20,729	8,7911
12	243	34,02	11,2266	22,793	8,9415

³ Ibidem, pg. 201.

13	268	37,52	12,3816	25,138	9,1210
14	289	40,46	13,3518	27,108	9,0985
15	312	43,68	14,4144	29,265	9,0857
16	337	47,18	15,5694	31,610	9,0777
					124,2700

Source: (Terzic 2017.)

$$P = \sum_{t=1}^n \frac{X_t}{(1+r)^t}$$

a) calculation of a present value (Terzic, 2017.)

Where:

PV = Present royalty value,

Xt = royalties,

r = discounted royalty rate expressed in percentages 8,11 = 8,11/100=0,08),

t, n = number of years

∑ = the sum of discounted royalties

$$P = \frac{5,159}{(1+0,08)} + \frac{6,190}{(1+0,08)^2} + \frac{7,410}{(1+0,08)^3} + \frac{8,911}{(1+0,08)^4} + \frac{0,224}{(1+0,08)^5} + \frac{1,818}{(1+0,08)^6} + \frac{3,601}{(1+0,08)^7} + \frac{5,570}{(1+0,08)^8} + \frac{7,165}{(1+0,08)^9} + \frac{8,853}{(1+0,08)^0} + \frac{0,729}{(1+0,08)^1} + \frac{2,793}{(1+0,08)^2} + \frac{3,138}{(1+0,08)^3} + \frac{2,108}{(1+0,08)^4} + \frac{2,265}{(1+0,08)^5} + \frac{3,610}{(1+0,08)^6} = (4,7719 + 5,2961 + 5,8643 + 6,5232 + 6,9229 + 7,4019 + 7,8796 + 8,3437 + 8,5083 + 8,6441 + 8,7911 + 8,9415 + 9,1210 + 9,0985 + 9,0857 + 9,0775) = 124,27$$

The present royalty value⁴ is 124.27 millions of euros.

b) calculating the brand value (Kancir, 1991.):

$$K = \frac{\sum DNT \cdot (1+r)^n}{(1+r)^n - 1}$$

$$K_b = \frac{124,27 \cdot (1 + 0,0811)^6}{(1 + 0,0811)^6 - 1} = \frac{432,7565}{2,482201} = 174,3345$$

$$K_b = 174,3345$$

A brand value calculated according to (Kancir) formula is 174.34 million euros

The rest of value¹⁶ = 174.33 – 124.27 = 50.06 million euros.

4 If this sum of 124 millions of euros was to be invested in a bank with interest of 8.11%, the company would get as much as if it invested in stock, in this case in a brand, modeled on: Milojevic, A, Basics of Economics, College of Business, Srpsko Sarajevo, 2002, pg. 266)

If we analyze the value of licensed brand in the previous example (at the age of 16) we can conclude that in this part of the paper, we are proving the main hypothesis that the value of licensed brand is a dominant determinant of the company’s capital value in a long run.

5. ANALYSIS OF LICENSE FEES

The final benefits in the process of licensing are the gain of licensing fees. The license fee is an equivalent for the right to use the subject of a license as a license contract. Or it can be defined also as an equivalent for the use of technology. Namely, through the licensing contract we do not gain the right over the subject, but the right to use the subject of a license for a certain period. (Medic, Zlatovic 2013.) Agreement about the license fee payment is one of the most important elements of the licensing contract. Through that the costs and efforts of a research work and portfolio value of the intellectual property rights are being compensated. In the following part of the table is shown the analysis of the license fee payment methods and their classification.

Table 4: Analysis of basic characteristics of licensing fee payment methods and their classification

S/N	Type of license reimbursements	Basic characteristics	Classification
1.	Lump sum	-the complete amount is specified in advance - the lump sum can be agreed upon until the certain product volume -It is better for a licensor	- sum lump is usually made for companies that are less well-known -it is used for companies that do not guarantee regular fee payment
2.	Royalties	-it is a way of payment related to success during the licensed technology use - It goes between 5% and 15% of a full price depending of the sold volumes and industry	-royalties related to sales, royalties related to production and royalties gained as a result of a profit made by using the licensed technology
3.	Combination of lump sum and royalties		-it is used while licensing the brand with the technology which is in its development stages
4.	Others		-capitalization of technology, buying of raw materials from a licensor, product sale at the favorable prices, contracting a sublicense and mutual licensing

Source: (Medic, Zlatovic, 2013)

Lump sum fee is independent from volume and success in the licensed technology use. Sometimes it's possible to agree on a lump sum fee to the certain amount of product. If a licensee produces above the certain amount, for the surplus it can pay a new lump sum fee agreed upon, or the agreed upon royal.

According to definition of the international accounting standard 18.⁵ royals are reimbursements for the use of the fixed assets of another entity on the example of patents, brands, copyrights, and computer software. The approach evaluates the brand according to the value of an exclusive right for use of a given brand that a brand owner gives to a third party. Flows, which in this case need to be discounted match the royals⁶ (R), that are gained through a license for using the trademark.

Companies such as McDonald's or Pierre Cardin are examples of businesses that used the mentioned payment method, that is evaluation. Pierre Cardin has licensed its brand in the sixties for different market purposes.⁷ At the same time, the company that is a licensee this way could easier find the consumers, to which otherwise it would not have the access to without significant additional monetary investments. Royalties can be calculated based on income, production and possible is also a combination of a lump sum fee and royalties. (Bubalo, 2012). On average the price of a brand licensing ranges between 5% and 15% of wholesale price for every additional product depending of industry in which the licensing is done. (Lindermann, 2010).

In practice the most commonly used are three ways for calculating the royalties: royalties related to retail, royalties related to production, and royalties related to income gained from technology use.

Royalties can be divided according to payment methods. Royalties related to retail are calculated as a percentage of the price of a sold product.

Namely, the profit of a licensor relates to volume of the sold products, and not for the inventory volume. This way of fee payment is more beneficial for a licensee because it liberates him from obligation to pay for produced, but not sold products. This way of fee payment is not

⁵ Using the sources of entity by others leads to profits in form of interests, dividends, royalties, MRS 18.

⁶ Royalty (French – *tantieme*) – reimbursement from a clear profit of manufacturing, retail, banking, stock partnerships, which is paid most frequently to the highest officials/ Source: Klač (1962)

⁷ Pierre Cardin is a fashion industry established in 1950. In the period between 1966 and 1980 the mentioned company has licensed its brand for different market purposes. It produced the uniforms for Pakistani airline-industry, it redesigned the traditional clothes of Philippines, Beatles members wore their jackets, it decorated the interiors of American cars, it licensed the line of food products.

as beneficial for a licensor because in case of a sale decrease it will experience lesser incomes.

Royalties related to production are determined according to volume of production or the produced piece, so the licensor has no reason to worry about the sold volumes.

It is necessary that a licensor knows the manufacturing capacities of a licensee to be able to control its production. In practice the mentioned method is used when the case is about standardized goods of a mass consumption or in case of not knowing the partner.

Royalties can be agreed upon as a percentage of profit that a licensee gains by using the rented technology.

The licensor has an obligation to frequently control the management of a licensee in to check the reported data related to profit. The issues can be present when determining what amount of profit came out of brand licensing, and what came out of business activities unrelated to licensed brand.

In practice is present classification of royalties according to payment method. They are:

Variable royalties are the type of royalties whose initial percentage can be lower and can increase over the next years. Also, the agreement can be made on royalties whose value is declining during the next period if the value of a transferred technology declines with the expiration of the agreed upon duration period.

Cumulative royalties are the type of royalties whose value depends of the production volume and is not related to time and often because of this the minimal royalties are agreed upon.

Excluded royalties are the type of royalties for which during the calculation of a license fee the value of the sales during the first six months or a year from signing the contract is not taken into account, since it is expected that a licensee will have certain problems while trying to enter the new market.

Minimal royalties are the royalty type for which the minimum fee is agreed upon which the licensee will be giving to a licensor for a certain period of time regardless of the production volume, sales, or profit from using the license subject.

Maximum royalties are the type of royalties for which the two sides set the highest rate of royalties which are paid for a certain period, or the highest cumulative amount of royalties.

While signing a contract for licensing the two sides can agree upon a combination method of payment so that the part of license fee is paid in advance in a lump sum form and the rest in the form of royalties.

This way of payment is often used while licensing a brand compared to technology which is in its early stages of development when the final form of a product is still unknown. In this way for the first phase of a contract are paid the lump sum fees, but after the start of a production or placement of a final product in the market of a contract the payment is done in form of royalties.

There are also other forms of fee payment methods paid for use of licensed technology, and in practice the most common are:

- - capitalization of technology,
- - buying the raw materials from a licensor,
- - sell of goods at the favorable prices
- - contracting a sublicense and
- - mutual licensing

Capitalization of technology is such payment method in which the licensor gets the piece of pie in a certain partnership or joint venture, so it becomes a shareholder or part of a certain partnership. The value of its share in a partnership and its profit will depend of the technology value which a licensor brings into a partnership. Also, payment of a license fee can also be contracted in a way that a licensee buys different final products, components, spare parts or raw materials from a licensor at a price that is enough for fulfillment of payment obligations related to a license fee.

In some cases a licensee is better off buying the necessary components from a licensor which is better equipped for that sort of production and this can help a licensee make a better profit.

By combining the price of components and license fee it can make a subjected technology much cheaper compared to a licensee producing it along while paying the license fee.

The contracted license fee is such that a licensee sells to a licensor product produced by using the licensed technology at the very favorable prices. This form of payment is present during contract with the countries of the “third world” and it includes the whole system of intermediaries that agree upon details related to products given in place of a monetary reimbursement.

Also, in the license contract there is a possibility to contract one or more sublicenses to a licensee by a licensor. The licensor can require

including in a contract a certain percentage in which it will participate when it comes to profit made by a licensee through the sublicense.

Mutual licensing implies that a licensee can give a license to a licensor for certain technology that the initial licensee is the owner of, and which is of interest to a licensor. This way there is no licensing fee, but the reimbursement for the first given license is part of a second license issued to the original licensor.

CONCLUSION

The main purpose of this paper implied identifying the brand licensing concept in the context of making the condition for a better-quality brand marketing in domestic business practices. The management of a brand licensing has a key role in certain long-term company impacts. Marketing managers are often motivated to use positive effects of a mentioned strategy. Analysis in the paper included the significance of a value of a licensed brand as a marketing property to the entire business success of a company.

By convergence of knowledge about licensing and brand management towards marketing the new conditions for a new perspective are opening up towards certain marketing problems. In this paper we looked at the issues of a brand value (calculation of a brand value, royalty value, and their correlation), and we interpreted their influence for making the marketing decisions in a domain of licensing and brand management. The inability of the marketing manager to use a brand expansion strategy can be overcome with the brand licensing strategy. Namely, licenses are used for maintenance of prestigious and functioning brands as well as for expansion towards the new product categories. Through the mentioned concept the new possibilities are made for an appearance of a company on a modern global market in which nontangible property plays an important role for licensors and nontangible property users.

Developed western countries use the benefits of a licensing and place the brand licensing among marketing goals and strategies at the company level. Licensing has a wide scope which includes cooperative brands, sport, publishing, tourist destinations, non-profit organizations, famous people, events etc.

The estimate of a licensed brand value is significant during purchasing and selling of a brand, licensing, estimation of a nontangible property of a company and because in the developed markets the brand value is included in the company balance sheet.

The extensive inclusion of the existing literature from the area of brand licensing confirms the fact that the assumption of a brand development is the adequate degree of professionalism of the marketing managers, their competitiveness, and skills to build a brand which needs to be incorporated in the strategic options of a company for an expansive growth and efficient increase in the business as well as efficient incorporation into the modern business flows.

In the aper we showed the method for evaluating the brand based on combination method of discounted cash flows and royalties. Based on a hypothetical example of a brand value prediction over a period of 16 years the value of a brand was calculated. In the brand value calculation approach based on (Kancir), the value of a brand was 174.33 millions of euros, the present value of royalties was 50.6 millions of euros. Certain problems are present when evaluating the nontangible property. Brands are not evaluated adequately. In actuality, they are not evaluated at all in the financial reports of the companies. In the accounting practice to this day it was uncommon to see the nontangible investments such as brands, intellectual capital, marketing rights, customer loyalty, share in the market, relationships with the distributors etc. Mentioned investments are included in international accounting standard #38 and are treated as nontangible means. Also, this standard defines that there must exist a possibility for identification of non-tangible property and clear differentiation from goodwill. In relationship to that it is necessary to create the conditions for coordinated work of professionals in the domains of marketing, finance, and accounting in order to find the adequate solutions for non-tangible property evaluation.

It would be significant and useful to implement the licensing in certain social segments, that is to formulate the licensing programs such as: Jahorina as a tourist destination, then the pyramids of Visoko as a historical destination, the Nektar beer from Banja Luka, then the City of Trebinje as a famous tourist destination, also the jerseys of the football and basketball national teams etc.

ANALIZA LICENCIRANJA BRENDA KAO MARKETINŠKE STRATEGIJE

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Apstrakt: Licenciranje brenda koristi se kao marketinška strategija za rast i razvoj preduzeća. Naime, radi se o poslovnom modelu koji donosi koristi i davaocima i primaocima licence. Benefiti od navedenog poslovnog modela su mnogobrojni: doprinosi generisanju dodatne prodaje i prihoda, stvaranju dodatne vrijednosti, privlačenju novih kupaca, omogućava ulazak na nova tržišta. Takođe, stvara uslove za nove prodajne kanale i postizanje ekonomije obima itd. Potom, utiče na stvaranje percepcije i prepoznavanje brenda proizvođača i njegovih proizvoda među potrošačima. Vrijednost licenciranog brenda je dominirajuća determinanta vrijednosti kapitala preduzeća na dug rok. Struktura rada uključuje nekoliko cjelina. Pažnja se, prvo usmjerava na koncept licenciranja i njegovu ulogu i značenje. Zatim, slijedi komparativna analiza osnovnih tržišnih pokazatelja deset globalnih licenciranih brendova. Sljedeći dio istraživanja obuhvata metodologiju za izračunavanje vrijednosti licenciranog brenda i tantijema. Posljednji dio rada obuhvata analizu načina plaćanja licencnih naknada.

Кључне речи: лиценцирање, бренд, лиценцирање брeнда, вредност брeнда, тантијем

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