

BOTTOMLINE

LICENSING INFORMATION AND IDEAS TO BETTER YOUR BUSINESS

DreamWorks Animation's Jeffrey Katzenberg To Deliver Keynote at 2014 Licensing Expo



Entertainment and media visionary Jeffrey Katzenberg, chief executive officer of DreamWorks Animation, will deliver the Opening Keynote address at Licensing Expo 2014. The Opening Keynote session of the Expo, sponsored by LIMA and staged by Advanstar, will take place Tuesday, June 17, from 8-9 a.m. at the Mandalay Bay Convention Center in Las Vegas, and is free for all Expo attendees and exhibitors.

"Licensing Expo's keynote address is a rallying point for the licensing industry and sets the tone for the overall event," said Charles Riotto, President of LIMA, the exclusive show sponsor. "As the leader of one of the most successful and trend-setting entertainment companies and licensors in the world, Jeffrey Katzenberg will provide attendees with his valuable insights into the future of the media and entertainment industries and the licensing business that is sure to resonate with all those in attendance, during the upcoming show and beyond."

Chris DeMoulin, President of Licensing & EVP of Customer Development for Advanstar, commented, "We are honored to welcome industry icon Jeffrey Katzenberg to address our Licensing Expo audience. I can't imagine a better way to kick off this year's show."

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Money Isn't Everything. Really.

By Anthony Shaut

Director of Royalty Audits

Spielman Koenigsberg & Parker, LLP

While one of our goals, as auditors, is always to ensure that net sales are accurately reported and royalties are paid in full, it is certainly not our only goal. Typically, at the point where a licensor engages us to conduct an audit, the intellectual property is already well established.

It is our job, then, to make sure that brand image is maintained and protected by ensuring compliance with all of the terms of the license agreement. An effective audit process encompasses far more than counting beans.

Counterfeits and knockoffs

Of the many problems that licensors and licensees face, counterfeit and knock-off merchandise is always near the top of the list. A consumer finds a product normally priced at \$29.99 in stores for \$14.99 on a rogue website. That consumer purchases

the product and, after only weeks of wearing it or playing with it, wants to know why the brim of the hat is already fraying, why the action figures' arm just fell off, or why the color of the shirt has begun to fade after only two washes. The answer — it's a fake and, therefore, doesn't live up to the quality control standards that the brand has established.

It's to address situations like this that holographic security labels are created and adhered to all authentic licensed products, and it's why we, as auditors, place such an emphasis on hologram testing, among other procedures.

Whether it be doing a walkthrough of the process by which holograms are adhered to each licensed product that gets shipped, viewing ready-for-sale products in the warehouse to ensure that all of them

"An effective audit process encompasses far more than counting beans."

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March 7 in New York



Breakfast Roundtable Event To Focus On Social Media, OmniChannel Commerce & Retail Positioning

Join LIMA at Morton's Steakhouse in New York on Friday, March 7th, for a limited-seating breakfast event covering some of the hottest topics in the licensing industry.

The breakfast will take place from 8:00-10:30 a.m., with ample opportunity to network!

The small-group roundtable discussion format will let attendees interact with industry experts on three separate subjects:

- *What Retailers Are Looking For and How You Can Position Yourself Accordingly* — Michael Goldstein, Former Chairman of the Board of Toys "R" Us; currently serving on the board of Pacific Sunwear
- *Social Media and Digital Marketing: How to Use It and How It Can Translate to Actual Product Sales* — Debbie Bookstaber, President of Element Associates, a leading

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contain a hologram, or comparing hologram inventory records to sales records, these anti-counterfeiting measures will only be effective if the licensee abides by them. It should be an auditors job to help ensure that they do.

In addition to preventing cheap imitation products from flooding the market, preventing low-quality authentic products from entering the market can also be a concern. Although most licensors require a thorough approval process with samples and prototypes submitted for review prior to being produced, there is still a reliance on the licensees' factories to manufacture product for the mass market of the same quality as the samples.

Detecting unauthorized factories

The heavy reliance on factories is traditionally conveyed in third-party manufacturing agreements that are required by the license agreement. Again, it is our job as auditors to ensure that no unauthorized factories are used to manufacture product.

Processes such as reconciling inventory movements, reviewing purchase orders, and comparing those purchase orders to authorized factories are just a few of the tests that we conduct to help identify and prevent the use of unauthorized factories.

Once a level of comfort has been gained regarding both the authenticity and quality of products going out the door, the next goal is to ensure that these products are distributed in the manner that they were intended and within the territory they were intended. After all, spending all that manpower en-

suring a quality product is delivered to the market won't do much good if, for example, that product is being dumped at close-out and off-price retailers or to territories not included in the license agreement.

A thorough review of customer lists and sales invoices as well as research into unfamiliar customers goes a long way in preventing excess off-price sales, identifying sales to distributors that may be made at lower price points, and locating sales made outside the licensed territory that may breach rights granted to other licensees.

This article only touches upon the tip of the iceberg for compliance issues and brand protection that an audit can provide. Even within the topics discussed above, there are a number of other methods that auditors can use to help prevent counterfeiting, to ensure the utmost quality of authentic products are released into the market, and to enforce the distribution and territory restrictions upon which a license agreement is based. Not to mention product labeling, insurance requirements, advertising minimums, etc., all important clauses of a license agreement that have been added in there for a reason.

Just remember that without the full scope of an audit to ensure the completeness of information that is provided by a licensee, a brand manager can never be sure that the full picture is being presented to them. And even though it's often perceived that an audit is only about net sales and royalties, a good auditor can paint that full picture for you.

"Licensors sometimes think licensees are lucky to make anything off their brands. But partners value and reward each other for mutual investments. Starbucks might have saved itself a billion dollars if it had done so in this case."

Do Something Nice For Everyone On Your Team

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Just send a list of everyone's email address to **newslinks@licensing.org**, so they can start to get LIMA NewsLinks.