



## Profitable Licensing Tips and Techniques from Bob Serling

### **What is licensing?**

Licensing is basically using business assets - intellectual property such as a brand, a design, a course, a process, etc., in a temporary arrangement, while paying relatively little to use them. The assets might be yours, or they might belong to other companies, as in the case of a toll gate arrangement, where you act as the middleman between a company that has an asset and another company that needs it, while collecting a fee for your role.

### **Some examples**

Suppose someone wanted to print a famous cartoon character on pajamas. A license direct from the studio that owns the character might cost millions. So instead they approach the company that created the license about subletting the license down into small categories.

Or say an expert has created a course, and a certain business with their own course decides some of the modules from the expert's product would be useful for their students. The expert might license it by training someone from the business in his approach and certifying them, then collecting a training fee plus a yearly royalty. If the company doesn't make the royalty payment, their license expires.

### **Private labeling**

Private labeling or white labeling is when you allow someone to take your intellectual property and adapt and rename it for their use. Bob Serling uses the example of his Information Products Master Course. He private labeled it to a company doing software training for Apple, and they renamed it The Information Products Master Course for Software Developers. They took the material and had permission to replace his examples with examples in the software development industry. Bob also private labeled the same course to someone in consulting, someone in human resources, and several other fields.

### **The toll gate arrangement**

The toll gate arrangement or middleman model is where you're not the expert and may not even need the expertise. What you do is act as a matchmaker or broker, identifying a client's problem and matching them with someone who has





the solution. As the middleman, you:

- Help the two parties come up with an arrangement that's agreeable to both.
- Assure each side the deal will be good for everyone.
- Collect a fee out of the profits generated by the partnership

**Example:** Say you have a client in the health industry, specializing in men's health products and supplements. They want to test a female health supplement but don't want the expense of formulating it themselves. They might turn to you to find someone who can do it for them. You then act as the intermediary, bringing them together and helping negotiate the agreement.

### **Structuring a deal as a broker**

When you're a middleman, there are different ways you can structure the arrangement as concerns your fee. You can structure it as a retainer and a share of profits. Make sure, however, that there's cash involved. This ensures your project will be important to the person you're working for.

You can start by figuring out how much the project is worth in a year. Let the prospect define the number. Ask them what their target revenue is, their profit margin, etc., and base your fee off that. If they expect, for example, to make \$600,000 and your share is 20 percent of that, you might set your retainer at five to 10 percent of your share. This can be in advance or in addition to the percentage of the profits.

You might decide to balance cash, commission and equity. This, however, requires attorneys, and can get really complicated.

### **Do you refund if it flops?**

If for any reason the project is placed on hold, Bob Serling does not suggest refunding the retainer. If you're a few months into the project and it doesn't work, then you might refund.

### **Whose agreement do you use?**

When smaller companies, say \$5 million and under, are involved, you can usually use your agreement. Larger companies usually have large legal teams and want to justify that cost, so it's a good idea to use their agreements. Just ensure it doesn't become a one-sided deal, with all the risk on you.





### **Who pays?**

The licensee always pays. If 20 percent of the profits go to the middleman, the remaining 80 percent is split by the expert party and the licensee.

### **When middleman deals come unstuck**

Deals usually come undone when after a period of time of things running smoothly, the two parties involved decide they no longer want to pay the intermediary. In this case, you can negotiate a buyout. For perhaps half of the total amount they've paid you, they can continue with the license and not have to pay you again.

### **Cloning**

Cloning is something you can do for a client and get paid for the process. It's basically taking all or part of a business and reproducing it with a different label or market or distribution, etc., to make more money.

Take for instance a training program. Suppose the original version works well but is very dry and boring. You might take the exact program, write more emotional copy and set it up on a separate website, then email your list promoting the second version as a more appealing option.

It works as well for physical products. Say a company sells entertainment supplies and caters for both individual and institutional buyers. By taking the products that are fit for wholesale and selling them on a separate site solely in bulk, that company can see a significant increase in profit.

Cloning offers a number of options. You can help companies clone their products, or you can license features of other people's products to clone on your own. Or you can act as a middleman, to set up cloning things for companies to clone their own products and services or others.

### **The resource center toll gate**

When people buy something, they very often also look to buy complementary products. This is an opportunity for another licensing technique, the resource center toll gate. You basically identify the products a customer will need in addition to something they've bought, saving them the trouble of research and overwhelm. You just set up a resource center and refer customers to products, gen-





erating money for you and the product sellers.

### **The repeating circuit toll gate**

The repeating circuit toll gate is like a resource center, but it involves several companies, catering to a certain type of customer. Each company has their own product related to that customer's needs, which all the companies will promote to their lists for a month, after which they'll promote the product of the next company in the circuit, and so forth. You're making money each time you promote another company's product, and in the months that the companies promote for you, not only are you making money, but you're also building your list.

Access more of Bob Serling's expertise at <http://salesgrowthsystems.com/>

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