

Character Licensing and the Digital Path to Monetization, Case Studies from Thai Creators

ธุรกิจด้านลิขสิทธิ์ของคาแรกเตอร์ไทย และการใช้สื่อดิจิทัลเพื่อนำไปสู่การสร้างรายได้ กรณีศึกษาจากผู้ออกแบบคาแรกเตอร์ไทย

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Abstract

Character licensing business in Thailand was considered a new and emerging industry. This article would look at international success cases of brand licensing and level of marketing effort character designers had invested to ensure licensing potentials. The growth of digital media and technology in Thailand were one important factor that had rendered the growth of Thai characters possible. We will thus look at the timeline of digital media being launched in Thailand and how Thai characters had successfully utilize them to pave their way to licensing income.

Keywords: Thai Character, Intellectual Property, Licensing, Digital Media, Digital Content

บทคัดย่อ

ธุรกิจด้านลิขสิทธิ์ของคาแรกเตอร์ไทยยังถือว่าเป็นธุรกิจใหม่ บทความนี้จะกล่าวถึงตัวอย่างความสำเร็จของธุรกิจด้านลิขสิทธิ์ระดับนานาชาติ ที่ใช้ทุนทางการตลาดสูง แต่การเติบโตของสื่อดิจิทัลต่างๆ ถือว่าเป็นปัจจัยสำคัญหนึ่งที่ส่งผลให้คาแรกเตอร์ไทยมีช่องทางการเผยแพร่ และมีโอกาสเติบโตมากขึ้น บทความนี้จะกล่าวถึงเส้นเวลาที่สื่อดิจิทัลเข้ามาในประเทศไทย ศึกษาวิธีการเข้าสู่ตลาด และการเติบโตของคาแรกเตอร์ไทย โดยวิเคราะห์การใช้สื่อดิจิทัลของแต่ละคาแรกเตอร์นำไปสู่ธุรกิจด้านลิขสิทธิ์

คำสำคัญ: คาแรกเตอร์ไทย ทรัพย์สินทางปัญญา ลิขสิทธิ์ สื่อดิจิทัล ดิจิทัลคอนเทนต์

Introduction

Licensing was defined as the process of leasing a trademarked or copyrighted entity (known as an intellectual property) for use in conjunction with a product, service or promotion. The license owner earned revenues mainly from license or royalty fee. According to the Annual Global Licensing Industry Survey conducted by the International Licensing Industry Merchandisers' Association (LIMA), the licensing industry in 2017 was USD 262.7 Billion. Character and Entertainment, being the top licensing type, garnered 44.7% share of the market, accounting for USD 121.5 billion (International Licensing Industry Merchandisers' Association (LIMA), 2017).

Character and entertainment licensing encompassed properties springing primarily from feature films, animated TV programs, console games and associated software, online entertainment including social media, children's book and theatrical production. Also reported by LIMA (2017), Thailand

was one of the biggest consumers for Character Licensing in South East Asia. In terms of licensing business, as the creator or license owner, Thailand has just started.

Character licensing business practice

The common process for licensing business was through license agent as illustrated in Figure 1. Licensors, or IP creators, often appoint licensing agents to manage their licensing programs. (Spaeder, 2007) These agents assumed duties for their clients such as contract negotiations or the product approval processes. In return the agent received a certain percentage of all royalty revenues. For the licensor, the advantage of retaining a licensing agent involved the agent's expertise and network of contacts. The licensor also weighed the cost of the agent against the cost and time involved in building up an internal licensing department to handle the business. (Daye, 2010)

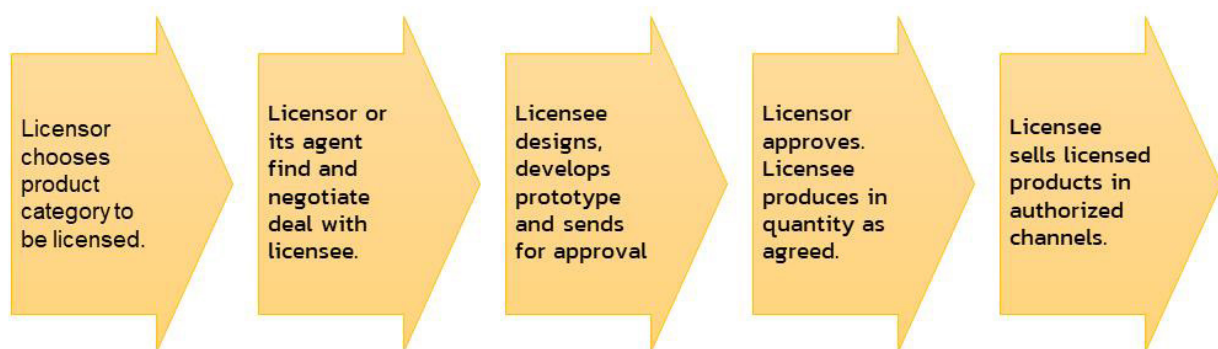


Figure 1 Common licensing process

Source: Daye (2010)

Licensor exercised licensing as brand extension. By licensing, a brand could expand into new businesses without making a major investment in new manufacturing processes, machinery or facilities. A character could be on various merchandises without having to manufacture and carry stocks by themselves. Licensees were willing to pay royalty fee, as it should value-add to their products, both

in reducing own design cost and to improve sales (World Intellectual Property Organization, n.d.). In this mutual benefit relationship, each party had own responsibility. The IP creator must maintain the brand image and exposure. The licensee should abide by the agreement to use and distribute the licensed merchandise earnestly. The licensing agent must be efficient and sincere in the contract and approval

process. Through this licensing process, each party would benefit, and also would be able to deliver satisfying merchandise to target customers.

The key factors that a character would be picked up for licensing campaigns were the design appeals and the brand positioning with the right exposure to the target group (LIMA, 2017). For instance, characters from animated television series had high licensing potential as the exposure and relationship with audience were built over a period of time. Often, the character licensing campaigns were designed at the beginning of television show development and production, to ensure the right exposure and the right personality of the characters to the target audience.

Character business models from leading brands

We would explore some of the international leading licensing companies as listed in the Top 150 Global Licensors: Walt Disney Company as the number one; Sanrio as the highest-ranking merchandising company from Asia; and Toei Animation as the highest-ranking entertainment company from Asia. (Top 150 global licensors, 2017).

1) Walt Disney Company:

The Walt Disney Company reported \$52.5 billion in retail sales of licensed merchandise worldwide in 2016 for its rich portfolio of franchise properties that also includes Marvel's Avengers, Frozen, Disney Princess and Doc McStuffins (Disney's vision for the future, 2017). We could see that the high revenue is from successful feature films and animated TV programs.

Disney had a high stable cost of production studio to maintain. With that, they had actively been monetizing from every intellectual property that they had on hand. Disney built a franchise around every single intellectual property. They planned merchandising and licensing in advanced of every movie and every animation, together with a lot of marketing efforts, Disney's license and merchandises

became the globally top earning character license (Disney's vision for the future, 2017).

Disney's animation that had high licensing potential will often have sequel television series after their theatrical period. This was to ensure their exposure and to keep audience's loyalty and engagement. Licensee would be willing to acquire the character license if there was continued presence in the market. It released about 10 films annually and built out the franchising and revenue-generating opportunities that came with the territory (Cardenal, 2016).

2) Sanrio Co., Ltd.:

Sanrio reported \$4.4 billion in retail sales of licensed merchandises worldwide in 2016 where they focused on expanding programs and categories for Hello Kitty, as well as new character, Gudetama (Top 150 global licensors, 2017). Started in 1960, Sanrio was a character business company that focused on manufacturing products for sale in its own retail stores and distributions. They distributed their character goods worldwide to gain both exposure and sales.

However, the margins became smaller and the risk were getting too high, thus in 2008, Sanrio decided to become more aggressive in licensing. Licensing allows Sanrio to take on far less risk and to expand their product line more rapidly, while is still able to control character's image from the artistic design to the messaging around the product or use (Nakamura, 2015).

Sanrio managed their characters in a similar manner to an entertainment business managing celebrities, with Hello Kitty as their top performer Hello Kitty accounts for roughly 75% of Sanrio's \$142 million annual operating profit, and brings in most of the \$600 million in company revenue each year (Yan, 2015). Sanrio also managed their own licensing by establishing offices in many countries. Yan also quoted Hatoyama, Sanrio's Manager, where he shared his three guiding principles in expanding merchandising business globally as followed:

- License as opposed to producing, exporting and marketing products to minimize risk and upfront costs of operation,
- Localize production to address local consumer tastes,
- Hire local staff particularly design staff that understand local culture and values and can reflect them in products.

Sanrio had taken measures in new consumption trends in extending tangible operations such as licensing its character goods to restaurants and other businesses. On the digital front, Sanrio has opened an online shopping site and offered goods through e-commerce operators such as Amazon and Rakuten. Sanrio had excelled on building a lifestyle-driven consumer products business based on quality merchandise, fashion forward products, co-branding deals, live events and international expansion. Nonetheless, Sanrio was always true to their core policy, which was communicating and connecting to their customers (Hosany, Prayag, Martin, & Lee, 2013).

3) Toei Animation:

Toei's core business was movie and TV show production, in both live action and animated formats. But in their early days, since 1990s, they were not able to recoup from just television broadcast alone, so they engaged in program sales where they sold their TV programs, and then developed the character business that was leveraged from people's recognition of the characters that resulted from broadcasting the programs. These two areas have been the source of their income (Katayama, 2007).

Toei also focused in international business from the start. Their first visit to MIPTV in Cannes, the world's biggest market and trade event for professionals from the audiovisual industry was in 1973. They also had strategically set offices in many countries, such as USA, Europe and China to localize and monitor their licensing and marketing activities. Toei had expanded their show and character licensing worldwide by actively working with license partners and agents in each territory.

From the above-mentioned three large licensing companies, we could see that the success in licensing business comes with high investment and a massive effort in both development and marketing, not something a new or small character creator could easily afford or set a foot in. However, for the recent years, we had seen many rising characters by Thai artists and creators, and we would take a look at some factors contributing to their growth.

Characters business in Thailand

Thai creators had been attempting to tap into character licensing business but faced many challenges. Apart from the initial creative challenges, which should lean into marketing environment as well, there were business challenges to comprehend and tackle.

As mentioned, one important factor for a character to be licensed was the exposure to the right target group. For new or small studios, it would be difficult to afford high investment in gaining exposure via traditional media such as producing an animation series for television, publishing a book or manufacturing and distributing merchandises on their own. However, as the Internet and telecommunication became available and more advanced in Thailand, it had opened doors to many creators to promote and monetize on their IP's, which could include licensing, merchandising, advertising, and sponsorship.

Technology boost in Thailand

The boom of telecommunications technology had a major influence on character business, and had caused the rise to the now-called digital media comprising websites, mobile apps, virtual worlds, multimedia, computer games, human-computer interface, computer animation and interactive computer installations. The channels that character designers could now communicate, promote, gain exposure and build relationship with the target audience had expanded so much further than the traditional mass media.

Since the start of Internet and mobile phone in Thailand and the world, digital content had been on the rise. The sharp growth could be around the period of smartphone and high speed mobile data transfer, where the access of multi-media content was in each user's hand. Also, the rise of social media and communication platforms paved way for the fastest-spreading marketing tool ever - the "word-of-mouth." Looking at Figure 2, we can see a timeline of key digital platforms that had significant influence on Thai market. The capability to send digital image content via mobile phone began with MMS, Multimedia Messaging Service. Facebook was

launched in 2004 and remains the most used social platform to date. Exteen, a well-known local blog platform, was discontinued. Line, a messaging platform, was launched just in 2011 but the popularity soared rapidly.

These digital platforms became the digital media and had played a significant role in gaining exposure for the characters at affordable budget. The reach of the digital media was also expanding exponentially, making the target audience even more accessible. With the right content, social network and marketing, new characters and young artists now had a chance to grow, engage and gain fan-base.

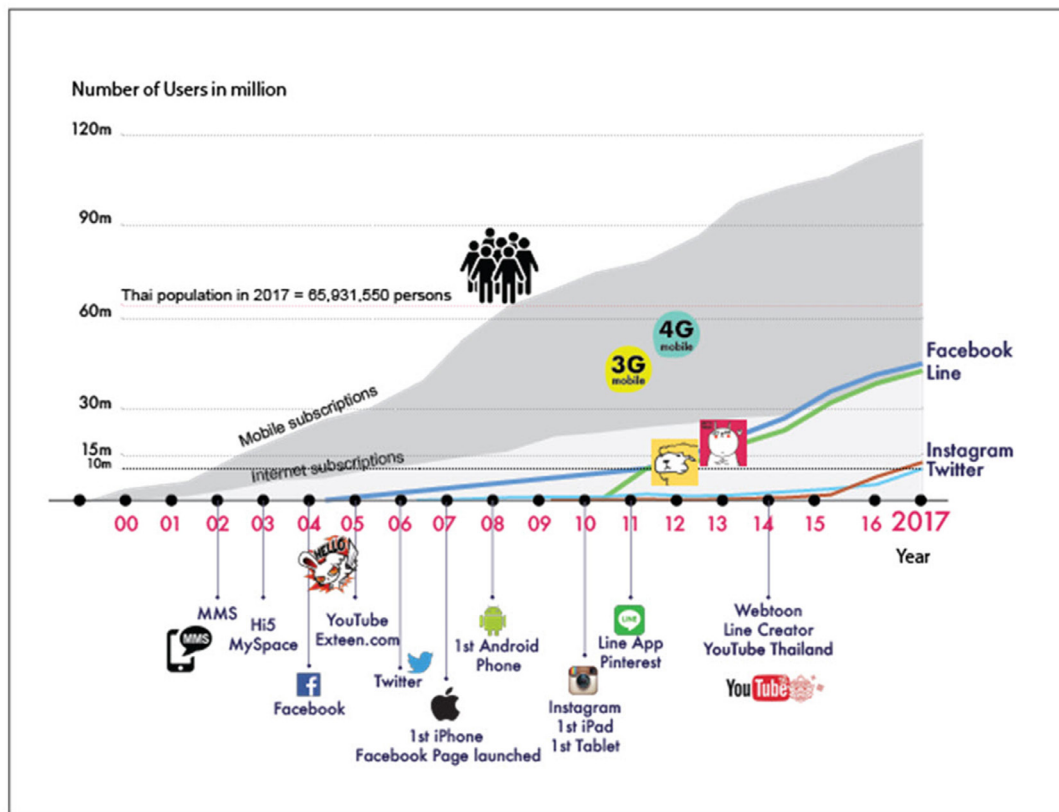


Figure 2 Timeline of digital and social media in Thailand

Source: Fernquest (2017); Kemp (2017); Koanantakool (2007)

Characters by Thai creators

A number of Thai creators were among the first to ride on the digital media and had grown steadily in the character business. We will explore how some of the characters had employed different digital platforms to kick-start their path to success. We will look at:

- Bloody Bunny, a character developed by a merchandising company that began with MMS.
- Art Jeeno, an illustrator who used web blogs to promote his art and landed publishing license deals.
- Shew Sheep, a successful online comic from Eat All Day facebook page with a unique character of yellow sheep.
- Jaytherabbit, a character made popular from Jaytherabbit facebook page

- Tidlom the sky hanger, a character that had almost overnight fame from Line stickers.

1) Bloody Bunny

2Spot Communications Co., Ltd. started in 2004 with the aim to develop and market Thai cartoon character. Their strategy was to use online and mobile content to promote and create exposure for the characters then got into merchandising. They developed MMS contents based on their characters, which user could send to one another (Sukchoo, 2010).

Their flagships characters were Bloody Bunny, Unsleap Sheep, Biscuits and P4 which were released in 2005 via website and mobile MMS and wallpaper download content. Then they started merchandising and licensing the characters in 2010 to local product manufactures and set up their own retail shops in teenager' favorite locations.



Figure 3 Bloodybunny's facebook page

Source: Bloody Bunny (2016)

They also continued to gain exposure and market their characters and grew their fan-base via more current platforms and digital content formats such as mobile games, Facebook page and gained large fan base as shown in Figure 3. Also, they developed Bloody Bunny animation series running on Youtube.com. To date, 2Spot Communication had over 200 characters in their portfolio and licensing partners internationally.

2) Art Jeeno

Art Jeeno was a Fine Arts student who loved comics and illustration. In early days, he submitted his comics to a number of publishers but was rejected. He then turned to blog his own comics on Exteen.com in 2011, and the Internet loved it. Then Salmon publisher contacted him and got his first comics published entitle "Juice" as shown in Figure 4. He became a renowned illustrator and comic artist with many more books following. His works were commissioned to illustrate for other books and merchandises as well (Tanghom, 2014).

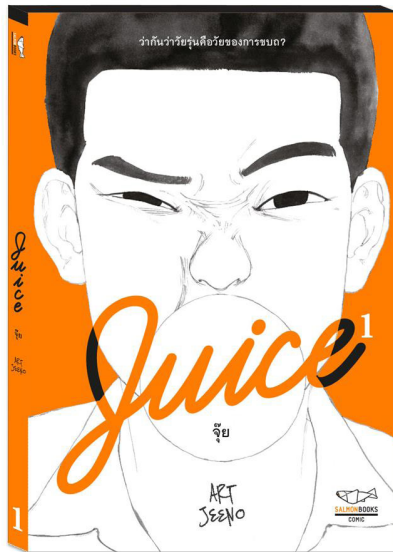


Figure 4 “Juice”, Art Jeeno’s first comic book by Salmon Publishing
Source: Seephongsai (2016)

3) Shew Sheep

Shew Sheep was a yellow sheep from “Eat All Day” Facebook page, started in 2012, by the creator who went by the name Poptoday. The content focus was around Thai’s food enjoyment habit with humor. The page took off with young working people whose daily life revolved around food and snacking in the office.

The humorous content and the focus on the right topic of interest generated a huge fan-base. The page gained over 100,000 fans in a short period of time and the awareness grew. A book publisher soon licensed the character and content. When Line Creator Market was launched in 2014, Shew Sheep also published its own sticker set. In 2015, Shew Sheep won Line Creator Challenge with its theme of Thai food - “Shew Sheep Happy Meal” (Figure 5). In 2016, they started their comic via Webtoon Thailand, an online comic application.



Figure 5 Shew Sheep happy meal-line sticker collection
Source: Eat All Day (2016)

With the outstanding design plus distinct and targeted content, Shew Sheep had earned international recognition and was chosen as the main character to celebrate Chinese New Year in Hong Kong with Herderson Mall. It was also licensed as pop-up Character Cafe with Cotto Curious Cafe, Siam Square One (Eat All Day, 2016). To date, Shew Sheep was very active with various digital contents and licensing campaigns.

4) Jaytherabbit

Jaytherabbit was a hugely popular character in Facebook. They started out in 2013 as a Facebook community page with just one simple, black-white-red, chubby rabbit character, talking about lifestyle

of young working adults. The target group was female office people and the topics were around their daily lives such as TV dramas, working late, eating too much snack and being single. The page reached over 100,000 likes in just one month.

The character became well known with distinct target group and the exposure went wide. With such massive exposure and fan-base, advertisers and products started coming in with sponsorship and cross-promotion as sampled in Figure 6. Jaytherabbit was very selective and sincere about sponsorship activities, and had tried to ensure that the fans would enjoy and benefit from the advertisers as well (Narata, 2017).



Figure 6 Jaytherabbit with licensing and PR campaigns
Source: Kiehl's (2015)

In 2013, Jaytherabbit was among the first Line Official Account and among the first Thai characters that had official Line stickers. To date, Jaytherabbit still stayed atop of current lifestyle topics and kept their content fresh and constant. Now the character had grown international with licensing and marketing activities (Jaytherabbit, 2015).

5) Tidlom the sky hanger

Tidlom the sky hanger was a lovely buffalo character created by Zylostudio for quite some time. Once Line launched Creator Market in 2014, where

every character designer could start submitting and selling their own sticker set, Zylostudio sent in Tidlom the sky hanger. As the Creator Market was still new at that time, Zylostudio had used Facebook and other digital media in promoting their Line stickers. The result was overwhelming, as Tidlom the sky hanger became the Top 5 bestsellers (Figure 7). It was still among the best-selling stickers in Line store for many years after (Line sticker creator market, anyone can do it, 2014).



Figure 7 Tidlom the sky hanger on Line sticker popular chart (2014)

Source: Tidlom (2014)

The character style was simple with message content of common Thai folks. In 2015, Tidlom the sky hanger also had their own online comic in Webtoon, and started their own merchandising and some licensing activities.

Marketing and monetizing

Character licensing being the top revenue-generating category of licensing business, many designers and business entities are of course tempted to jump in. An established character many monetize from license and royalty fee from a wide range of product categories, and most common are apparels, stationery, toys, giftware, games, groceries and promotion (Knight, 2018).

The digital media also paved way to new methods of monetizing from characters. Now creators could monetize from their characters online, in two major methods. One is via advertising and sponsorship. When characters had enough fan-base of clear and distinct target group, products may approach them for co-promotion campaigns or advertising. Another method was the character itself in forms of digital content such as emotion stickers

in chat applications, online comics or game and application. The digital contents were intangible products, and thus eliminated the need to manufacture products and bear the stocks. The investment was therefore mainly on the creativity and digital production. It also allowed creators to sell their content directly to customers.

Outlook

As the face of marketing was changing, the monetization of character was evolving too. Creators now had additional channels to reach out to their audience and to generate revenue apart from the traditional marketing and licensing practice. However, licensing business was still a crucial part of growth and it should be planned and incorporated well with digital content strategy.

Not only there would be more channels, the number of new contents in the market would also increase exponentially. There are over 100,000 Line sticker creators in Thailand alone and the number is still increasing (Kemp, 2017). The challenge will be to create unique and valuable engagement with target audiences among the sea of old and new

characters and digital content. Some factors for successful employment of social media (Litza, 2018), include:

- Focus on experience and engagement: Create unique relationship with target audience
- Choose proper channels: Go where target audiences are, be aware that they may change their preferred social channels over time.
- Be more human and honest
- Content is King: Focus is still the content that was appealing and consistent.
- Variety of content formats: VDO, stories, gif, images.

Morals and ethics were the heart of marketers and content marketers should never trick people to get their attention. Ultimately, marketers should be

relevant, authoritative and authentic (Wong An Kee, & Yazdanifard, 2015). Each character should thus find its own voice and be true to the target audience.

Conclusion

Character business was changing and a big part of change was from the growth of digital platform and digital media. Creators would enjoy more marketing options and digital distribution channels, and at the same time face with more competitors emerging daily.

It could be concluded that character monetizing for new creators was possible, though it had to come with an outstanding content and strategy. Creators thus had to be even more meticulous in crafting digital marketing strategy, use social media wisely and be creative with content execution in order to monetize and to be on the right path to licensing business. 💎

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