

# TOP 7 REASONS TO AUTOMATE ROYALTY OPERATIONS IN GAMING

Fuel Innovation & Growth in Gaming



**FADDEL**<sup>®</sup>  
LICENSING  
RIGHTS  
ROYALTIES

# 1 FUEL INNOVATION

- Licensing IP for video games, with a combination of licensing content in and licensing content out, is a powerful mechanism for a game publisher to create a competitive advantage for their games and build out new revenue streams.
  - Licensing content in – character likenesses, voiceover, music, logos, animation, in-game 3D models, game engines
  - Licensing content out – OEM agreements, gaming merchandise, in-game purchases, battle passes, downloadable content and other types of creative microtransactions
- Are you positioned to rapidly and effortlessly adapt to industry trends fueled by technological innovation? Are your systems setup to manage all of the licenses flowing in and out of the organization specific to their games, as well as accurately and easily calculate all of the royalty payments and collections flowing in and out, in a unified, comprehensive way?

## 2 DRIVE REVENUE

- The video game industry is experiencing explosive growth with over 2.5 billion gamers spending \$150 billion+ on games in 2019 alone. Much of this growth can be attributed to the new revenue-generating strategies game publishers are implementing to remain profitable and competitive:
  - Microtransactions such as in-game currency, battle passes and downloadable content
  - Merchandise
  - Ad Revenue
  - Subscriptions models
  - OEM Agreements
- With these new revenue-generating strategies, however, comes new licensing models and royalty payment terms that traditional royalty tracking software was not designed to manage.

# 3 SUPPORT COMPLEX LICENSING & COMPENSATION MODELS

When royalties are this complex, relying on spreadsheets and manual processes to calculate video game royalties is prone for error...

- Gaming revenue is no longer limited to outright game sales. Models are getting more complicated such as payouts based on activations or driven by a usage percentage of subscription models.
- Licensing terms continue to narrow. Game content license agreements are often very specific about when, where and how the content can be used.
- Unique payment terms and schedules have complexity like advances, guarantees, payments based on hitting sales milestones, or payments based on game usage or activation.
- There are also expense line items, like the fees associated with using commerce platforms like Steam, the Epic Games Store, Origin, or Apple Store, and in some countries the value-added taxes (VAT) that publishers need to factor in before calculating royalties.

## 4 CALCULATE & REPORT FINANCIALS WITH ACCURACY

- Calculations are complex – see point #3!
- Payouts are to several contributors or licensors per game! Game publishers usually need to calculate royalty payments to several contributors that they're licensing content from such as celebrities for their character likeness or voiceover, music artists for their songs, major brands for their logos, manufacturers for their engines, and game developers for the game programming.
- Publishers also license content out and collect payments in that then need to be factored into the royalty payouts.
- Integrations into ERP Financials are also key so that publishers can forecast and automatically post into Accounts Payable, Accounts Receivable and General Ledger.

## 5 ENSURE COMPLIANCE

- With manual processes and many-to-many licensing relationships in place, it can be hard to ensure compliance across all contracts.
- By validating sales against contract terms, a game publisher can identify sales violations and ensure royalties are accurately being reported and calculated.
- A platform that serves as the single source of truth for contractual deal terms, rights and restrictions helps to ensure compliance and issue alerts against violations.
- A robust platform also offers a fully auditable process of the contracts and royalty payments.



## 6 PROVIDE VISIBILITY TO STAKEHOLDERS

- A rights management system serves as the single source of truth for license agreements, contract terms, payment information and payment schedules across all licensees and licensors.
- Game publishers are able to consolidate all license agreements and with an extensible framework they can import in and aggregate sales information and activations.

## 7 PROVIDE TIMELY STATEMENTS & REPORTS

- With the contributors and licensors being a strategic component to the success of a game, it is essential to process payouts to all contributors accurately and systematically.
- Game publishers are able to attract desired talent by providing a portal of information and self service capabilities such as generating and publishing royalty statements online, providing payment history and delivering key metrics with dashboards and reports.



For more information about how FADEL IPM Suite can empower game publishers to manage and validate the inbound and outbound licensing, and calculate the related royalties, request a no-obligation discovery call.

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