

Measuring the Licensing Value of IP: A Framework for Smarter Licensing Decisions

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Executive Summary

Consumer research is frequently criticized in licensing discussions as being directionally useful, but economically unreliable. Common concerns include overstatement of purchase intent, weak linkage between survey metrics and financial outcomes, and lack of customization to specific category, margin, and royalty structures. In many cases, brand awareness and affinity scores are presented without translating those measures into monetizable outcomes such as incremental revenue, pricing power, or sustainable royalty capacity.

The IP Monetization Framework addresses these concerns by linking validated consumer demand metrics directly to bottom-up economic modeling. Rather than relying on generic survey outputs, the framework integrates awareness, conversion, loyalty, price elasticity, and category fit into a structured monetization index and financial model tailored to the specific product category, distribution strategy, and licensee economics. Each study should be customized to reflect the commercial realities of the target category, margin structure, and royalty objectives—ensuring that research results are decision-grade rather than theoretical.

1. The Licensing Problem

Licensing decisions are often driven by brand recognition, legacy equity, or perceived consumer affinity. However, awareness does not equate to monetizable demand. Licensees must answer fundamental economic questions:

- Will this brand increase sell-through relative to a non-branded or private-label alternative?
- Will consumers pay a measurable, meaningful price premium?
- Can the margin structure support a royalty?
- What minimum guarantee (MG) is economically disciplined?
- Is the brand's equity transferable to this specific category?

Without a disciplined monetization framework, royalty negotiations become speculative, increasing the risk of overpayment or underinvestment.

2. The IP Monetization Framework

The IP Monetization Index (IPMI) is a structured evaluation model that converts consumer demand data into a quantifiable economic signal. The framework evaluates five weighted pillars:

1. Reach Strength — awareness and household penetration relative to category benchmarks.
2. Conversion & Demand Power — purchase intent, preference, and brand conversion rates.
3. Loyalty & Durability — retention, switching resistance, and Net Promoter Score.
4. Price Premium & Margin Leverage — willingness to pay above baseline alternatives.
5. Category Transferability — brand fit, stretch acceptability, and retailer alignment.

Each pillar is normalized against competitive benchmarks and weighted to produce a 0–100 composite IP Monetization Index. This scoring system allows brands to be evaluated comparatively and economically—not sentimentally.

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3. Translating Demand into Royalty Capacity

Consumer metrics are integrated into a bottom-up economic model:

- Total Addressable Market (TAM) × Awareness × Purchase Intent × Conversion Rate × Retail Availability = Projected Unit Volume
- Unit Volume × Adjusted ASP (Price Premium) = Branded Revenue
- Revenue × Margin Structure = Royalty Capacity

This structured translation converts survey responses into incremental revenue projections, royalty ceiling calculations, and minimum guarantee guidance. Sensitivity analysis can be incorporated to evaluate conservative, base, and aggressive scenarios.

4. Reducing Overpayment Risk

Overpayment typically occurs when demand lift or price elasticity is overstated. The framework reduces risk by:

- Benchmarking awareness and intent against category norms.
- Quantifying incremental demand versus baseline alternatives.
- Modeling margin constraints before royalty assumptions.
- Testing category transferability and stretch risk.
- Applying scenario analysis to stress-test assumptions.

This approach ensures royalty discussions are grounded in measurable contribution margin impact rather than brand perception alone.

5. Strategic Applications

The IP Monetization Framework can be used by:

- Licensees evaluating multiple IP opportunities.
- Private equity groups assessing brand acquisition value.
- Brand owners validating extension categories.
- Retailers evaluating branded product viability.

Because every licensing opportunity involves unique categories, channels, price points, and margin structures, each study should be customized. Survey design, benchmarking, weighting, and financial modeling must be tailored to the specific commercial environment under evaluation. The result will be a licensing decision framework built to withstand economic scrutiny.

Licensing value should be measured in contribution margin and royalty capacity—not impressions.

About

Founded in 1997, Goldmarks Co. provides research, planning and partnership development to create new products for intellectual property licensors, licensees and agencies. The firm specializes in quantifying the monetizable power of trademarks and copyrighted assets, translating consumer demand insights into royalty structures, and developing IP commercialization strategies.