

Successful Technical Licenses in Korea

Successful Technical Licenses in Korea

Overview

The following is a discussion of the advantages and disadvantages when considering extending technical licenses to partners in the Korean market. A number of key success factors to consider are also discussed below:

Advantages

- Low investment, low business risk and low exposure
- Easy to participate in the industry / requires only limited company resources
- *Foot in the Door* - one license often leads to another
- Provides market intelligence potentially identifying new opportunities
- Generates Income (sources include):
 - Disclosure fee
 - Royalty
 - Engineering service fees
 - Sale of parts and components
- Access to market through licensee's marketing network

Disadvantages

- Low level of income
- Limited duration (usually 5 years)
- Technical transfer takes more time and effort than anticipated (it is hard to define and/or limit responsibility)
- Low control of the business success or failure
- Little or no control over reputation in Korea
- Can create or strengthen a competitor
- Pressure from government and licensee to permit exports
- Foreign party often blamed for problems and/or high cost

Key Success Factors

- Royalty should be a fixed amount per unit rather than percentage of sales
- Minimum royalties per year should be specified
- Must demonstrate advantages of maintaining and developing relationship
- Licensee must not represent competitors
- License should be exclusive. If there are multiple licensees, none will make the efforts required to develop the market for fear of helping his competitor