

# A Brief Analysis of the Enhancement of Enterprise IP Value through Internal Derivation & interconnection and External Licensing

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**Abstract:** In the Internet era, competition among brands faces unprecedented pressure in a highly information-rich environment. Therefore, how to be easily discovered by consumers, guide their brand choices, and establish customer loyalty are necessary considerations for companies facing concentrated marketing. This is to avoid being squeezed out of the market by brands in the same category and further expand industry development to increase market share, promoting the healthy development of the company. The trend of IP construction has emerged in the strategic development of corporate brands, utilizing the Internet's characteristics of broad coverage, high precision, and efficiency. High-quality IP construction can bring substantial profits and rapid growth in influence to companies. However, many companies face a series of issues in the development of their brand image, such as incomplete development of IP value, limited scope of IP influence, and impact. This paper will analyze the specific problems and shortcomings faced by IP construction through the study of multiple sets of successful and failed cases and propose improvement solutions, namely, exploring the feasibility of internal derivation & interconnection and external licensing in enhancing the value of corporate IPs.

**Keywords:** Intellectual Property; Marketing Strategy; Business Management; Licensing.

## 1. Introduction

### 1.1. Background

In the Internet era, competition between brands faces unprecedented pressure. Therefore, it has become crucial for companies to figure out how to be easily discovered by consumers, guide them to choose their brand, and establish customer loyalty. With the high coverage, precision, and efficiency of the internet, the trend of IP construction has emerged in corporate brand strategies. Through IP construction, companies can create high-quality IP value, resulting in significant returns and rapid growth in influence.

### 1.2. Current Situation

Nowadays, many large companies, such as Sony Entertainment, are building a large number of high-quality IPs based on their entertainment products. ANIPLEX, a subsidiary of the Sony Group and a giant in the anime industry, has successfully created highly renowned anime IPs such as the "FATE" series, "BOCCHI THE ROCK!", "Sword Art Online", and "Guilty Crown". In 2020, the final chapter of "Fate/stay night [HF]" achieved over 620,000 cinema admissions and 1 billion yen in box office revenue within just eleven days. Similarly, the second chapter of the series also reached 1 billion yen in box office revenue within just twelve days. This demonstrates how a successful IP can bring substantial benefits to a company. Additionally, many service-oriented internet companies are also creating their own IPs, such as Alibaba's animal-themed IP zoo.

However, the brand image development of many companies may face a series of issues, such as incomplete IP value development and limited scope and influence of the IP. Take the game IP "League of Legends" as an example. Undeniably, it is a successful game IP, with a peak concurrent player count reaching tens of millions worldwide within a day.

However, as a gaming culture that hasn't been fully developed, it lacks the sustainable development potential in terms of derivative depth and breadth. Therefore, the company has gradually improved the game's background story, created anime IPs like "Arcane", invited Eason Chan to sing the theme song "Lonely Warrior," and even achieved unexpected breakout effects, bringing vitality to this IP that has been around for over a decade. Moreover, the company has also built the IP industrial chain in League of Legends eSports events, leveraging the vast player and spectator base to expand its influence. For example, when the team IG won the LPL (League of Legends Pro League) championship, it broke out overnight and sparked a wave of enthusiasm for League of Legends and even eSports as a whole.

### 1.3. Reasons for selecting the topic

The influence of IP is evident, and its powerful impact can be seen in various aspects of life, such as food, clothing, housing, and transportation. For example, many brands are engaging in IP licensing, where a successful IP licensing can significantly increase sales. Additionally, it presents an opportunity for both the brand itself and the licensed company to expand their influence. Therefore, how to incubate a successful IP is a direction that many companies are dedicating their efforts to research, and the challenges faced in the process of creating an IP are also a common phenomenon.

## 2. Case study—The construction of Sony Group's IP system

### Overview of Sony Group

Sony Group Corp. is a globally renowned large-scale multinational conglomerate based in Japan. Its predecessor, Tokyo Tsushin Kogyo Kabushiki Kaisha, was officially established in 1946. Sony is a manufacturer in the fields of

audiovisual, electronic games, and communication products. It owns a range of brands, including Xperia, Walkman, Sony Music Entertainment, Columbia Pictures, and PlayStation. On April 1st, 2021, Sony Corporation officially changed its name to Sony Group Corp. When, considering the current product portfolios of SONY, from mobile products and communication business, to home entertainment and audio business, from TV, mobile phones, cameras, audio and video equipment and other personal and home electronic products, to medical printers, 3D film equipment and other industries, it has been involved in six major businesses, launched more than 2,000 products. However, these product portfolios are complex and their product lines are lengthy, and it is hard to find revolutionary core products such as Walkman and CD developed in the era of entrepreneurs[1].

### 2.1. Overview of Sony Group’s IP development

Sony Group's major IP business brands include Sony Music Entertainment, Columbia Pictures, PlayStation, Sony Creative Products, etc. Under Sony Music Entertainment,

ANIPLEX is a prominent anime IP giant. According to the data, the Fate series released by ANIPLEX has reached a staggering playback volume of approximately 1.277 billion on the Bilibili bullet chat video website (Figure 1), while the “Demon Slayer” series has even higher playback volume of 1.62 billion (Figure 2). Even the music concerts associated with these IPs have reached a playback volume of 5.869 million (Figure 2). These data only include the playback volume on one video website in mainland China, illustrating the tremendous benefits that ANIPLEX's high-quality anime IPs can bring. God of War, a popular game IP developed by Sony Santa Monica Studio and published by PlayStation, achieved remarkable sales figures. The sequel, God of War: Ragnarök, sold 5.1 million copies in its opening week alone (Figure 3), with total sales reaching 11 million copies within three months (Figure 4). In short, Sony Group is a giant in IP incubation and development, with its IPs possessing enormous influence, excellent sustainability, and significant profitability.

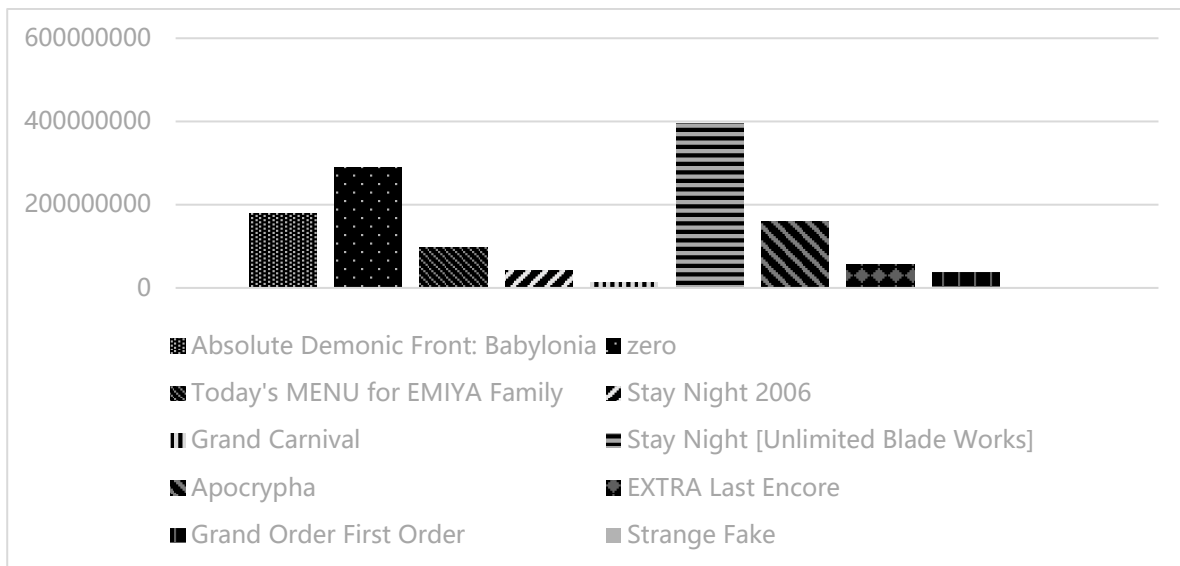


Figure 1. The views of the Fate series on the bilibili bullet chat video website  
Source: bilibili bullet chat video website

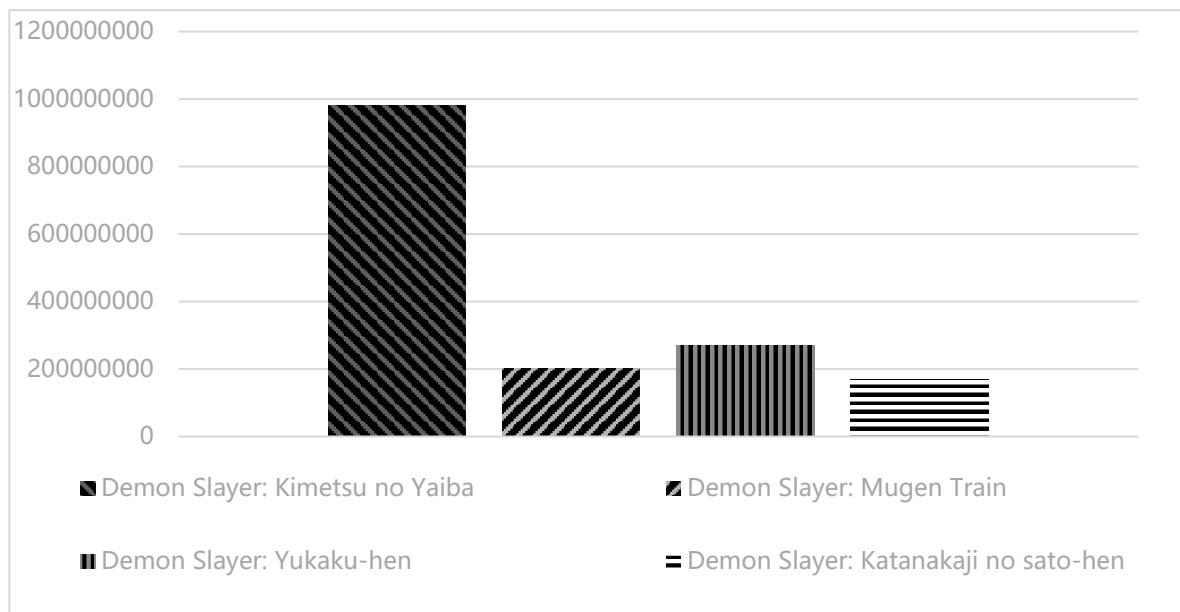


Figure 2. The views of the Demon Slayer series on the bilibili bullet chat video website  
Source: bilibili bullet chat video website



**Figure 3.**  
Source: PlayStation official Twitter



**Figure 4.**  
Source: Santa Monica Studio official Twitter

## 2.2. The strategies of Sony Group’s IP development

### 2.2.1. Internal derivation & interconnection

Sony, as a large multinational conglomerate, covers various business sectors including gaming and network services, music, film, entertainment, technology and services, imaging

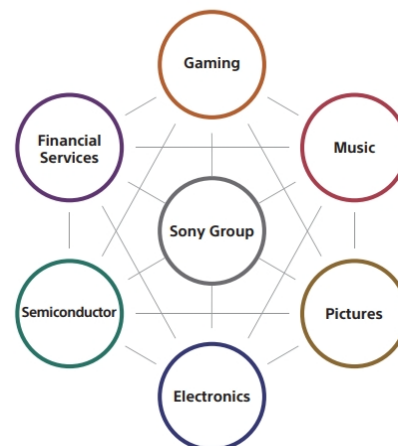
and sensor solutions, and financial services (Figure 5, 6). It is evident that the entertainment industry holds a significant share in Sony's business operations. Leveraging its diversified advantages and interconnectedness within the entertainment industry, Sony adopts an internal derivation & interconnection approach to maximize the value of its intellectual property.

#### Management from a Long-Term Perspective Focused on *Kando* and People

In the same spirit as our founders, we at Sony strive to manage our operations with a long-term perspective. In 2019, building on that cherished legacy of vision and the key concept my predecessor Kazuo Hirai passed down to us, *Kando*, I defined the Sony Purpose. Now our roughly 110,000 Group employees work in concerted effort to create new value with the shared Purpose to “fill the world with emotion, through the power of creativity and technology.” That perspective guides our Corporate Direction, “getting closer to people,” which to us means focusing on people, specifically the creators who generate *Kando*, the users who share that *Kando*, and our employees, who operate our businesses under our shared Purpose.

Looking back on its history, it is evident that Sony and its businesses have evolved with a long-term vision. The launch of CBS/Sony Records in 1968 was the starting point for our entertainment business. Since then the company has diversified from the music business into the pictures and game businesses as well. These three entertainment businesses have accelerated their growth, especially since FY2012. In FY2022, their sales and operating income together exceeded half of those for the consolidated Group. Our Financial Services business, meanwhile, carries important symbolic significance. Akio Morita, one of our founders, started Sony Life in 1979 with a 20-year vision, and in the two decades since its founding it has successfully eliminated all its accumulated losses. Our Financial Services segment supported the Group in the wake of the 2008 recession, and today continues to bring in reliable profits.

It has been five years since I took office as CEO, and my highest priority continues to be value creation with a long-term perspective, centered on *Kando* and people. In recent years our priority initiatives under the Purpose have been to reorganize the Group architecture, focus on creativity, and expand the *Kando* space.



**Figure 5.**  
Source: Sony.com

|   |                  | FY2022 Results by Segment |          |          |           |
|---|------------------|---------------------------|----------|----------|-----------|
|   |                  | (Bil Yen)                 |          |          |           |
|   |                  | FY21                      | FY22     | Change   | FX Impact |
| Game & Network Services (G&NS)              | Sales            | 2,739.8                   | 3,644.6  | +904.8   | +419.8    |
|   | Operating income | 346.1                     | 250.0    | -96.1    | -32.4     |
| Music                                       | Sales            | 1,116.9                   | 1,380.6  | +263.7   | +174.5    |
|   | Operating income | 210.9                     | 263.1    | +52.2    |           |
| Pictures                                    | Sales            | 1,238.9                   | 1,369.4  | +130.5   | +229.8    |
|   | Operating income | 217.4                     | 119.3    | -98.1    |           |
| Entertainment, Technology & Services (ET&S) | Sales            | 2,339.2                   | 2,476.0  | +136.8   | +237.5    |
|   | Operating income | 212.9                     | 179.5    | -33.5    | +9.4      |
| Imaging & Sensing Solutions (I&SS)          | Sales            | 1,076.4                   | 1,402.2  | +325.8   | +202.7    |
|   | Operating income | 155.6                     | 212.2    | +56.6    | +120.9    |
| Financial Services                          | Revenue          | 1,533.8                   | 1,454.5  | -79.3    |           |
|   | Operating income | 150.1                     | 223.9    | +73.8    |           |
| All Other                                   | Sales            | 98.8                      | 87.6     | -11.2    |           |
|   | Operating income | 18.0                      | 16.8     | -1.1     |           |
| Corporate and elimination                   | Sales            | -222.3                    | -275.2   | -52.9    |           |
|   | Operating income | -108.7                    | -56.6    | +52.1    |           |
| Consolidated total                          | Sales            | 9,921.5                   | 11,539.8 | +1,618.3 |           |
|   | Operating income | 1,202.3                   | 1,208.2  | +5.9     |           |

Sales in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages).

**Figure 6.**  
Source: Sony.com.cn

Among them, internal derivation refer to the transformation of an existing IP into different types of products within the same IP.

For example, the game “The Last of Us” published by Sony's PlayStation has spawned a TV series in collaboration with HBO Max (Figure 7), which premiered in the United States on January 15, 2023. According to data officially released by HBO, “The Last of Us” garnered over 4.7 million viewers on the night of its premiere through HBO TV broadcasting and HBO Max streaming, making it the second-highest-rated HBO series in the past 13 years. “The Last of Us” itself is a highly successful game, having sold over 37 million copies as of December 2022, indicating its large player base. It is due to this significant player base that “The Last of Us” achieved tremendous success upon its initial release. As mentioned in Sony's 2023 fiscal year corporate strategy meeting, “The Last of Us” has become one of the highest-rated programs in terms of viewership in the history of HBO Max, particularly in Europe and Latin America.

Another popular PlayStation game, “Uncharted”, has also been adapted into a derivative movie (Figure 8), which premiered on February 10, 2022 and has grossed over \$400 million at the box office . The success of such adaptations can be attributed not only to popular actors like Tom Holland, but also to the attention and user base garnered by the excellent game IP of “Uncharted”.



**TV Series**  
**Last of Us**  
**Figure 7.**

Source: Sony.com.cn



**Movie**  
**Uncharted**

**Figure 8.**

Source: Sony.com,cn

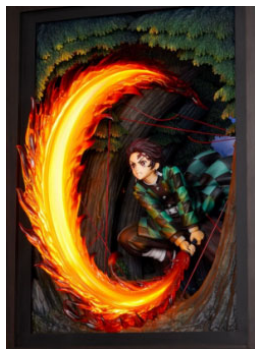
Internal interconnection, on the other hand, refers to the strategy of combining an existing IP with different departments within the company that are of different types. For example, the globally popular anime “Demon Slayer”, which is published by Sony's ANIPLEX, collaborated with Sony Music department to release the anime's opening song, “紅蓮華” (Gurenge), performed by LiSA, an artist under ANIPLEX. With the immense IP influence of “Demon Slayer” and LiSA's exceptional singing skills, the single achieved unprecedented long-term sales records after its release on July 3, 2019. It became the third highest-ranking song in the cumulative download record of Oricon's digital singles chart. Subsequently, on July 20, “紅蓮華” was recognized by the Recording Industry Association of Japan for surpassing one million downloads, attaining massive success.

### 2.2.2. 2.2.2 External licensing

Sony's high-quality IP output can leverage its massive fan base to further develop peripheral products and increase the value offered by the IP. Therefore, external licensing can be used to expand influence and maximize profits. Licensing in this context refers to two strategies: industry licensing and cross-licensing.

“Demon Slayer” and “Ranking of Kings”, popular anime series published by Sony's ANIPLEX, have numerous examples of licensing and collaborations. Industry licensing includes licensing to companies such as Bandai, Kotobukiya, Good Smile Company, Megahouse and PopMart to produce anime character figurines (Figure 9, 10). Cross-licensing

involves collaborations such as the “Demon Slayer x SKECHERS” co-branded sneakers (Figure 11), combining iconic elements from “Demon Slayer” with shoe design. Another example is the “Demon Slayer x Fuji” limited edition Instax mini 11 instant camera (Figure 12).



**Figure 9.**  
Source: dmzj.com



**Figure 10.**  
Source: Sony.com



**Figure 11.**  
Source: Sony.com



**Figure 12.**  
Source: sohu.com

The latter collaborated with Haoliland, launching the "Ranking of Kings Cake" and "Ranking of Kings Cheesecake" through cross-licensing (Figure 13).



**Figure 13.**  
Source: Sony.com.cn

### 3. Conclusion

Sony's IP system construction strategy involves internal derivation and interconnection, where a single IP is diversified into multiple, complex types of IPs to maximize its intrinsic value, increase audience stickiness, and promote sustainable development of the IP. Additionally, external licensing is used to enhance the IP's visibility and add value to its products, attracting new audiences and increasing profits. When considering the application value for other companies, different approaches can be taken based on their business type. Companies with diversified business operations can utilize both internal derivation & interconnection and external licensing simultaneously to maximize the value of the IP. On the other hand, companies without comprehensive diversified businesses can opt for external licensing alone to increase the value of the IP.

### References

- [1] Li, S., Yang, L. (2015) A case study of SONY's "Change in distress" development strategy. Enterprise Reform and Management.