

Top 10 Trends in Brand Licensing

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Brand licensing has evolved into a high visibility corporate business tool. It keeps taking on new twists and turns, and achieving long-term success is an increasing but worthwhile challenge. Here are ten key trends to keep in mind as you work to get your fair share of the pie.

(1) Getting More Management Attention

More than ever, brand owners are seeing what other companies (including competitors) are doing with licensing and they don't want to be left behind. Economic and competitive pressures are forcing managements to investigate new business options, and brand licensing is increasingly among them. Once the purview of low level managers, brand licensing has escalated to the top management ranks. Goals and expectations

are higher than ever before ... and they will continue to escalate even more rapidly.

(2) Programs Are More Deliberate, More Strategic.

Brand owners are putting themselves in the driver's seat and deciding on where they want to go. While this seems logical, it has not always been the primary approach. Earlier programs were often largely opportunistic ... driven by answering inquiries from prospective licensees and/or licensing into a narrow range of "merchandise" categories.

(3) Target Categories Are More Diverse

Long-term licensing success requires that extension categories truly fit the brand. This is one key reason that licenses like Kodak eyeglass lenses, Melitta coffee makers, Winchester home safes, Roto-Rooter drain openers, Frigidaire central air conditioning equipment and Westinghouse Solar Panels continue to be successful. These are extensions designed specifically to fit the brand's image and equity; they're not fads.



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(4) Financial Results are Larger

In *License!* magazine's Top 100 Licensors listing for 2008, the top 13 brand programs generated average retail sales just short of \$1 billion. A big number! This translates into gross annual royalties in the \$20--\$30 million range. Based on our experience, many of the largest programs were not even reported in the magazine listing. Royalty generation is often a high corporate priority and that interest will not lessen.

(5) Professional Development

As licensing moves into the mainstream of corporate life new cadres of professionals are starting to take charge. And they are being positioned in top management ranks. You will see the emergence of a new chief licensing officer position which directs licensing activities in all areas of intellectual property.

In a parallel vein, more educational programs are being made available in the field. LIMA, the industry association, is creating more training programs for working practitioners; college courses are being developed for business students; and even executive search firms are beginning to develop licensing practices.

(6) Retailers are Taking a More Aggressive Role

Engineering a constructive partnership between licensor, licensee, and retailer is becoming increasingly essential--and increasingly difficult. Competition among brands (licensed and otherwise) is more intense than ever and the internet is having a profound impact on retailers and how they do business. Historically, licensee/retailer relations were based in part on unique product

SKU's being designed especially and exclusively for a specific retailer. Now retailers are themselves purchasing brands outright and taking the brand management function in house. Striking a sustainable balance between retailer, manufacturer, licensee, licensor and agent is certainly possible, but it requires a new level of open-mindedness and creativity.

(7) Co-Branding

Smart brand owners are realizing they have something more to offer than their brands alone. Pairing-up the name with its necessary ingredient or brand attribute that makes the brand unique adds real value to a license. When Ford Explorer announced its Eddie Bauer limited version (the deal included specially designed rugged luggage from Eddie Bauer) the line became, and stayed, a best seller in its category. Arm & Hammer air filters contain Arm & Hammer baking soda and proprietary technology, and Black Flag insect repelling landscape lighting is a co-branded license containing unique jointly developed technology. The list is getting long and will continue growing.

(8) Precursor to Mergers and Acquisitions

Historically, many acquisitions have not been successful long term because the deals have not taken into the account the human factors, personalities, cultural, and other non-financial issues. As a result some M&A executives see licensing as a way to test the chemistry between two companies to avoid some of the more common dangers. It gives each party more time to evaluate the pros and cons of a deeper relationship.

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(9) Licensing as a Competitive Weapon

Brand licensing is a great business tool and new applications are expanding, including its use as a competitive weapon. One approach is oriented to preempting competition by getting into attractive new businesses before others can do so. Roto-Rooter's extension into retail chemical drain cleaners is one good example. In another approach, GE grants retail exclusive licenses in return for guaranteed shelf space in their core product lines. Count on applications becoming more numerous and more creative.

(10) Licensing is More Global Than Ever

Sales of licensed products have grown significantly in emerging markets. China in particular is emerging as the world's fastest-growing market for licensed goods. They not only enjoy a rapidly growing economy, but also brand-conscious middle class Chinese consumers are willing to pay higher premiums for branded goods than their western counterparts. Licensed product sales in China have expanded from \$600 million in 2001 to more than \$8 billion in 2008, but even so, retail spending on licensed products per capita in China is still under \$5 vs. \$360 in the U.S. Brazil, Russia and India have also experienced very strong growth in branded licensed product sales.

In addition, brand owners are encouraged by the emergence of high caliber manufacturer licensees from emerging markets--most notably China and India--who have the capability of marketing these products not only in their home country but well beyond. Over half

of the licenses signed by LMCA clients in 2009 were with licensees based outside of North America. They ranks as among the most impressive companies we've ever met.

Summary

Brand licensing has become an increasingly visible and important corporate business tool. It is being used in a wide range of ways to accomplish a growing list of important goals. It has truly evolved from being a fringe support activity to a mainstream business. In the process it has become more sophisticated and more complex than ever before. While success is not guaranteed, with proper expertise and intelligent strategy brand licensing has worked effectively for many companies. And it can work for you.

LMCA—Leading the world of strategic brand licensing

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