

The Commandments of Being an Excellent Licensee

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In a previous article I outlined the commandments of being an excellent brand licensor. This piece will look at the commandments of being an excellent licensee, which is equally important.

Let's start by examining the reasons a company should want to be deemed a great brand licensee by their brand licensor:

1. It makes getting a license renewal a simple procedure, as every good licensor wants to keep their best licensors as part of their licensing roster.
2. Getting the support of the licensor may be necessary when working with retailers, other licensees within the same territory and licensees in the same category outside the licensed territory. These requests for support will be welcomed when made by a valued licensee.
3. It gives the licensor reason to expand the product categories and territories within your license if the request to do so is reasonable.
4. Product and advertising approvals can sail through the licensor with greater ease when the licensee is a trusted partner.
5. Information flow from the licensor to the licensee will be increased when it is welcomed and used by the licensee.
6. Participation in licensor's company sales meetings and dealer and retailer meetings will be welcomed as the licensee will be viewed as a valuable contributor to content and important recipient of information.
7. If some of the license agreement terms should become onerous, the licensor will be much more willing to listen and negotiate better/more appropriate terms as market conditions demand.
8. The licensee's licensed products are more likely to be included in the licensor's own ads and literature.

So, how does a company get on the short-list of "best licensees" identified by the licensor? Here are some key commandments to keep in the forefront:

. In the negotiation process don't keep secrets from the licensor. If the licensor finds-out points on which it might have been misled after negotiations are concluded, the licensee's reputation will suffer greatly. These points would include margin percentages, market shares, etc.

. Seek frequent meetings with the licensor. (This could be monthly, quarterly or semi-annually as appropriate to your category of licensed products.) In these meetings, the licensee should:

- A. Get input on styling coordination for the licensed products so they seamlessly fit with the licensor's own product line. This would be important for product, packaging, labels, hang-tags, advertising, etc. If the licensor is in the fashion business, ensure that your merchandising schedule is in accord with the licensor's own time frames. This will help licensee product sales immeasurably and enhance licensor product sales by featuring a large collection at retail.
- B. Request branding briefings to make certain every nuance of the branding strategy is understood and utilized on the licensed products.

- C. Receive and impart marketing strategies. The licensee must ensure that their licensed product marketing strategy perfectly meshes with the licensor's own strategy. Both the licensor's and licensee's strategies must be fleshed-out and fully understood in these meetings to ensure there are no misunderstandings and that the full marketing impact/benefit is realized. This should include full discussions on advertising strategies (and coordination), media plans and expenditures.
- D. Coordinate retail strategy nuances with the licensor and discuss support from the licensor at retailer meetings.

- . Submit ALL products, literature, hang-tags, labels, packaging, business cards, stationery, business cards, invoices, press releases, etc. to the licensor for approval on a timely basis, well before manufacturing begins. Often, this is best handled in the meetings recommended above.

- . Follow the licensor's trade channel desires/restrictions most carefully. If in doubt, contact the licensor to ensure that a potential customer is in keeping with the licensor's strategy. For the licensor's most important retail customers, stay in constant contact with the licensor to ensure every relationship is leveraged and potential conflicts are avoided.

- . ALWAYS ATTEND JOINT LICENSEE MEETINGS HELD BY THE LICENSOR! Lack of attendance is most dimly viewed by all of the licensor's management.

- . Develop a close rapport with the licensor's key employees (if the licensor's licensing contact permits this). This would include the marketing, advertising, sales, QC, and technical areas, as appropriate for the category. Remember that EACH of these areas has an impact on the success of your product and program, so a positive relationship with each is critical.

- . Watch the simple stuff: make sure your royalty reports and guarantee and royalty payments are ON TIME.

- . Keep impeccable books. Make licensor audits easy, with easy identification of the licensor's branded sales and related transactions.

- . Let the licensor know, in advance (as much as possible), of any important press releases, reorganizations or announcements relating to your company, even if they do not directly impact the license. Don't let a licensor be surprised through public announcements or industry rumor mills.

- . Don't be a complainer on minor (especially, non-contractual) points. If a complaint will have no affect on your licensed product sales (short or long term), you may want to consider not voicing it. Of course, important conflicts and complaints must be raised with the licensor, but try to avoid points such as, "I didn't like the photo retouching in your last ad." This will not enhance the long-term relationship.

- . Be responsive to licensor requests. Even with the most positive relationship, the licensor is bound to make many demands on the licensee. Wherever possible, each of these should be met with a positive response and expeditiously. Remember that the licensing department of the licensor's company fields comments and requests from all of its various departments; each of these departments believes its request is the most important of all. ... you never know when an unfulfilled request will result in a negative board room impression relating to the licensee.

Of course, each licensor and relationship is different, but serving as an excellent licensee will result in the strongest return on investment in the short and long term.