

Licensing Markets

Brand Licensing

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Preserving a Brand and Positioning It for the Future: Winchester—A Case Study

What happens to a major brand when its industry is in decline? Does its brand equity diminish and eventually disappear? The Winchester Division of Olin Corporation confronted this issue and turned to brand licensing for help. The results provide a valuable case history that can help in presenting the benefits of licensing to your clients or management.

Circle the Wagons

Winchester, founded in 1866, had a rich history. Its iconic Horse & Rider (Graphic 1) epitomized the spirit of adventure, the American West, cowboys, pioneers and all things “Americana.” Winchester’s products were seen as highly reliable and mechanically superior. Its brand awareness ranked among that of the top brands in the world.

However, by 1993 Winchester was facing an uncertain future. Anti-gun and anti-hunting sentiment was on the rise. Legislation restricting gun and ammunition sales loomed on the horizon. Rural population decline, lack of available hunting lands, noise restrictions, and environmental regulations placed the business at risk. The situation was further compounded by fierce competition stemming from excess domestic capacity and a glut of cheap imported products.

Declining volumes and margins dictated reduced investment in R & D, advertising, promotion, and plant and equipment—actions that could initiate a downward spiral.

Faced with these realities Winchester began to explore options to improve short-term profitability, strengthen competitive position, and diversify in a practical way to ensure that Winchester would survive and thrive in the 21st Century.

Westward Ho—Winchester’s Journey

Winchester knew that its brand could be used effectively to market a variety of non-core products as demonstrated throughout its history.

1920s–1930s. During this era, Winchester successfully manufactured and sold fishing gear, bats and balls, roller skates, batteries, flashlights, hand tools, and a wide range of other products under its brand. Winchester Stores, similar to Ace Hardware Stores, sprang up around the country. While this program was discontinued—a casualty of the Great Depression—it demonstrated that the Winchester Brand could be successfully used to market a wide variety of sporting goods, tools, and safety products relying on the brand’s attributes of reliability and value.

1960s–1970s. During the 1960s and 1970s Winchester decided to diversify. It acquired several small sporting goods manufacturers and developed Trailblazer By Winchester®—a line of sporting goods. Trailblazer® manufactured and sold tents, sleeping bags, lanterns, camping stoves, and a variety of other outdoor products. While conceptually successful from a marketing standpoint, the project was unprofitable. Winchester could not effectively integrate these small manufacturers into their operations and did not have the resources needed to develop new

products and cost effective processes. Trailblazer® was discontinued in the mid 1970s. Winchester learned a valuable lesson from this experience—don't get into a business you don't understand unless you can afford to acquire a leading manufacturer.

1980s. Winchester initiated a European licensing program during the 80s—a lifestyle program. It capitalized on the “romance” of the American West. Winchester in Europe meant freedom, open spaces, rugged individualism, and power. The Winchester Horse & Rider was the “Marlboro Man” without a cigarette. It was positioned as an up-scale fashion brand focused on men's and women's clothing (leather, fur, and denim), handbags, briefcases, attaché cases, accessories, watches, eyewear, children's backpacks, and school supplies. The licensing program became a significant revenue source for Winchester.

1990s. Winchester sold its European Operations in 1991 and the European licensing initiative lost momentum. Winchester had no European-based resources to build on the program's success and the program changed focus from growth to maintenance of existing licensees.

Winchester learned a number of valuable lessons from this experience.

- The brand has broad appeal outside of the sporting goods categories
- Licensees with limited financial resources cannot properly exploit the brand
- Licensees' manufacturing/sourcing capabilities must be world class
- Licensees must have a strong presence in key distribution channels
- Licensees must be established suppliers of similar high quality products with reputations for honesty in their dealings with customers, suppliers and employees
- Monitoring and co-ordination of licensees' performance is mandatory

The program was a learning experience with successes and failures. Some of the licensed products proved to be fads. However, some of the products continue to have a strong market presence more than 20 years after introduction.

These earlier experiences served Winchester well as it began to explore options to defend and strengthen its business in the early 90s. Winchester had demonstrated that it could successfully extend its brand. It also had shown that it did not have the resources to develop unrelated businesses nor the capital to acquire strong manufacturers and marketers capable of exploiting the brand in other categories.

Call in the Cavalry

Winchester decided to initiate a worldwide licensing program to unlock the potential of the Winchester Brand and insure its future. The key objectives of the program were as follows:

- License only products that would preserve and expand brand imagery and value
- Increase consumer presence at retail to support and strengthen the core business
- Provide and co-ordinate significant advertising and promotion funding
- Generate substantial royalty revenues
- Ensure that the appearance and promotion of core and licensed products is seamless to avoid consumer confusion

Winchester concluded that it did not have the licensing expertise needed to successfully launch such a program internally. As a result, Winchester initiated a search process to identify a licensing agency that would be compatible with Winchester management and that also had the capability to achieve Winchester's objectives. Following an extensive search, Winchester chose LMCA as its exclusive licensing agency because of its strategic licensing focus and experience.

LMCA immediately began to study the business to learn the brand's attributes and corporate culture. LMCA developed a strategic planning model that identified several industries suitable for

entry through licensing. It proposed creation of a number of pseudo Winchester Divisions that would be served by licensees.

In addition to the core Hunting & Shooting Sports Division, LMCA proposed a number of other divisions including Security Products, Outdoor Sports, and Clothing and Accessories. Product ideas were developed and tested for relevancy and probability of success. “Flagship” products were identified for each division that would provide sufficient sales volumes to establish Winchester as a legitimate competitor in each division.

Riding into a New Day

The program was very successful. LMCA moved Winchester into a variety of licensed products. (See Graphic 2.) Today, Winchester continues to benefit from licenses that have been in place for more than 15 years and in 2009 Winchester’s core business experienced its best sales and profitability in history. Winchester’s Horse & Rider is well on its way to continuing as a 21st Century icon thanks in part to an effective licensing program.

Lessons Learned

Each company faces external risks and challenges throughout its life cycle. Most businesses diversify to minimize these risks. Strategic brand licensing can bring a new depth to that diversification; all without capital investment and without taking a lot of management time and attention from your core business.

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