
Extending Your Brand Globally

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The Shrinking World and the Global Consumer

We live in a shrinking world. The ease and relative low cost of travel has created a new breed of global consumer who experiences diverse cultures (and brands) on a regular basis. This global consumer is a retail nomad, shopping with confidence around the world. Whether it's New York's Fifth Avenue, Tokyo's Omotesando District, or London's Bond Street, this global consumer is highly knowledgeable and discerning about brands and products.

Rapid technology development also has given consumers all over the world better and easier access to brands. The Internet has changed the way consumers interact with brands, from researching product choices and customer reviews, to online shopping. Armed with more information and the confidence to make better decisions, consumers are becoming savvier in their brand preferences, and how they wish to build a relationship with their favorite brands.

Retail, though highly differentiated across markets, is becoming increasingly homogenized at all levels. From luxury to mass, global "powerhouses" are expanding their international reach and seeking to replicate the same product and customer experience.

As brands strive to speak in one voice to all nations and consumers, they need to consider the equal importance of understanding local cultures and behavioral nuances, in order to tailor their messages to specific markets. Building brand consistency is vital, but ensuring the brand stays relevant to consumers' lives is just as crucial.

Consumer demand creates the market opportunity to launch new branded products or services that communicate the same values as the core offering. Whether domestically or internationally, licensing enables brands to connect with consumers and extend their reach into new product categories and territories in the most efficient way. By capitalizing on the power of the brand and the market opportunity created by consumer demand, brand owners can develop products or services to achieve specific marketing objectives. Licensing creates increased consumer touch points without a brand owner's significant financial investment in terms of time and money. Licensing also generates revenue, a distinct advantage especially when budgets are being cut. In a global downturn, this advantage can be a significant marketing differentiator.

Luxury brands have long recognized the power of licensing as a way to achieve not only global reach but also global brand affinity. From Gucci to Giorgio Armani, Prada to Paul Smith, these brands have broadened their product ranges and retail distribution through a licensing business model. Categories such as fragrance and eyewear are normal entry points for consumers to experience their favorite luxury brand and develop greater preference. As they gain more confidence and spending power, they find themselves immersed in a wider range of luxury products. Before too long, these consumers are converted into bona fide brand admirers. They won't necessarily know or care that the product they have just bought may be licensed, so long as it delivers on the brand's promise.

Examining your Brand Potential

We can all learn from the way luxury brands have used licensing to extend their brand and businesses globally. In general, brand owners must consider five

key parameters when evaluating their potential to extend their brand internationally through licensing. We can summarize these key points using the acronym TRACE.

T—Trademark Registration

Licensing delivers trademark protection for brand owners. From the core product or service category, a brand owner can register its mark in related or adjacent categories and territories, and thus create an additional level of security.

Brands with similar logos or names often will enter into co-existence agreements to prevent any potential confusion with consumers. Consider the Jaguar Cars' leaping cat logo alongside Puma. Consider also the "Apple" brand name, best known now for computers and phones, but also well known as the Beatles record label.

In some cases, brands are prevented from international expansion due to trademark restrictions, where different entities may own trademark rights in different territories.

R—Reach of the Core Product

A brand's awareness level across international markets often is a good measure of its reach, but a more compelling measure is the level of local consumer permission that exists as a result of a brand's equity. Demand drives supply. If consumers can perceive (and believe) a brand can extend into a related category, then an opportunity in the market is born. Retailers will then buy (or commission) the product to supply that consumer demand.

In some rare cases, a brand with extremely high awareness and consumer permission may still choose to be more targeted in the way it extends into other product categories. Harley-Davidson, the iconic motorcycle brand, has global awareness and equity that has seen the brand's North American licensing program extend into multiple categories and targeting multiple consumer groups. With licensing contributing a healthy percentage to the company's annual net revenue, the brand owners have realized the formidable power of their brand, and have taken the strategic decision of developing their European licensing program that targets the youth market specifically. This move enables Harley-Davidson to build a relationship with the "riders of tomorrow," through apparel, bed linen, and back-to-school products, specially designed to appeal to their taste and preference.

Understanding how the brand is perceived in various markets also is paramount in measuring the reach of the core product. In its home market, Volvo is strongly perceived as being synonymous with

contemporary Scandinavian design. Throughout the rest of the world however, the brand has distinct associations with safety. Thus, when evaluating Volvo's licensing potential in international markets, the brand owners must tap the strongest consumer associations and translate these into licensed product. It is important to remember that consumers' brand perceptions evolve over time, and thereby give permission to extend the brand into other categories that were probably not feasible in the first phase.

In some cases, "sub-brands" can develop their own equity, which opens up opportunities for licensing on its own merit. Land Rover is a case in point. Its global licensing program captures the brand's spirit of adventure across a range of lifestyle products, from leather goods and apparel to bikes, opticals, and footwear. Range Rover, the top-end model of the Land Rover range, also embodies the same spirit of adventure as Land Rover, but possesses the added dimension of luxury. A Range Rover licensing program would have more premium positioning and a slightly different look and feel to its product range than its Land Rover counterpart. They both, however, share the same brand DNA.

A—Adaptable to Local Customs, Traditions and Language

The importance of understanding local customs, language, lifestyles, laws, and regulations cannot be underestimated when expanding a brand internationally. One size does not fit all. As brands become increasingly global, it is tempting to maintain a uniform positioning and language when executing brand-building campaigns. However, consumer shopping habits differ across markets. The retail landscape also differs, often in response to how consumers prefer to shop.

As brand owners adapt their strategies to suit individual market needs, they can exploit specific opportunities to tailor their product offerings to make their brand more relevant to their consumers' day-to-day lives. These can include specific events, consumer interests, or seasonal occasions that give rise to consumer demand.

In the United States, Thanksgiving is a big American holiday that retailers capitalize on. The Macy's Thanksgiving Parade has not only become part of the American Thanksgiving tradition, but also a landmark event to engage consumers and kick-start the holiday shopping mood.

In China and in many parts of Asia, Chinese New Year is a momentous occasion on which people exchange gifts and consume special food items to usher in wealth, happiness, and good fortune. Red becomes the new black in fashion, as men, women,

and children favor the color throughout the Chinese New Year to scare away evil spirits and bad fortune. This season also sees a major push from retailers as people typically wear new clothes from head to toe to symbolize a new beginning.

C—Competitive Set

Real brand differentiation can only be achieved if the brand owner knows his direct and indirect competitors, and understands how his brand's positioning is unique vis-à-vis other brands that compete for a share of his consumer's spend.

It also is worth noting that the competitive set for the core product may vary from the competitive set for the licensed range. Jaguar, the premium British automotive brand, is a case in point. In its core business, Jaguar sees Mercedes-Benz, BMW, and Porsche as their key competitors in terms of performance, price, and the lifestyle experience their vehicles offer.

As the brand extends into other lifestyle categories such as apparel, fragrance, and eyewear, Jaguar meets a different set of competitors that it must contend with. From product design to advertising and retail distribution, Jaguar must work hard to deliver on its lifestyle positioning and achieve the credibility to operate in this space in the eyes of retailers and consumers.

E—Emotional Connection That Consumers Have with the Brand

At every level of spending, from everyday grocery items such as breakfast cereals and diapers to special high-end account treats, for example, a designer bag or a luxury watch, consumers face such a vast array of choice, that they need something to differentiate one from the other. Their decision to go with Pampers and not Huggies, or Prada and not Louis Vuitton, rests on one very important factor: Their emotional connection with the brand.

This intangible ingredient marks the difference not only in a product's price tag, but also a brand's overall market share. The range of emotions that may drive a consumer's brand choice can reference comfort and security for one product, and opulence and extravagance for another. Hence, brand owners must always keep in touch with the needs and aspirations of their brand admirers in order to strengthen their emotional connection.

Case Study: Identifying Brand Potential in New Markets

Deere & Company, founded in 1837 (and collectively called John Deere), has grown from a one-man

blacksmith shop into a world-leading manufacturer of agricultural and forestry equipment as well as lawn and garden tractors for commercial and consumer use.

When it established its licensing program in North America, John Deere took its corporate values of Quality, Innovation, Integrity, and Commitment, and translated them into equities for licensing with which consumers can identify: Authenticity, Craftsmanship and Dependability, and Functionality.

Every John Deere licensed product, from men's workwear to a ride-on tractor for kids, realizes these equities, while also defining and enhancing the perception of the John Deere brand for consumers. Innovation and product quality are strictly enforced to create "The John Deere Experience," and thus enhance the brand's lifestyle credentials.

As John Deere embarked on establishing the brand's potential in Europe, the primary challenge was to understand the level of brand recognition, perception, and consumer permission in its four priority markets: United Kingdom, Germany, France, and Spain.

Market research is an effective way to answer these three questions. As John Deere engaged The Beanstalk Group to conduct consumer qualitative and quantitative research, it emerged that across all markets, there is real admiration for the John Deere brand. This admiration, coupled with resurgence in the popularity of the countryside and the desire to connect with nature, confirms that opportunities exist for John Deere to develop its licensing program for the European market.

The research also identified the 10 key potential categories for expansion, as well as prioritized the target markets according to validated consumer recognition and permission scores. On the qualitative side, the research revealed that the John Deere brand enjoys positive motivating values that can become a solid platform to build relevance with European consumers.

Consumer market research, however, is only one step in identifying a brand's potential in new markets. Mapping out the competitive landscape for each potential product category is another extremely useful exercise. Knowing who one's competitors are and their main distribution capabilities, is, as many say, half the battle won. The other half is defining a unique point of differentiation that consumers can relate to, and creating opportunities to increase familiarity with the brand and drive engagement.

The final step is execution. It is essential to exploit all close-to-core categories first, to ensure immediate consumer identification with the brand. The process may be a slow-build, but the result will be a more

sustainable licensing program, with consumer permission as the foundation for success.

Case Study: Leveraging Brand Equity in New Markets

Ford is an iconic American brand with global appeal and unmatched emotional connection with consumers. The Blue Oval is one of the most recognizable logos in the world. The brand is valued at \$11 billion, and ranks 41st according to Interbrand's Best Global Brand 2008 report.

As a brand, Ford boasts 105 years of strength, reliability, and progress. This heritage is the foundation for the brand's ubiquitous status in its home market, North America. However, consumer perception of the Ford brand varies greatly in other markets. In Europe, Ford is a trusted and admired brand. In Australia, Ford carries a provocative image, achieved mainly through Ford Racing. In Asia, home of some of the world's leading car brands, such as Honda, Toyota, Nissan, and Hyundai, Ford is a relatively new entrant, with its brand equity still in a growth phase.

Thus it is no surprise that Ford's licensing program is strongest in its home market. The Ford program in North America comprises over 300 licensees and generates the vast majority of the brand's \$1.45 billion global retail revenue. From apparel to gift, car accessories to toys and interactive games, the brand demonstrates its strength through the breadth and depth of the product extensions it has successfully penetrated.

North American consumers also have built their affinity to certain Ford models, which has driven the requirement to develop individual licensing programs. Ford Mustang and Ford Trucks are just two examples of how Ford can leverage the brand equities of its key models to appeal to particular consumer segments and strengthen its overall brand positioning.

As Ford looks to build its brand and licensing program beyond its shores, the most important factor to consider is how to address the different market opportunities while capitalizing on the brand's historic roots and design-led credentials.

Developing the strategy for launching a European licensing program involved featuring much of Ford's historical imaging and iconic models, and responding to the current trend in the European market for

retro kitsch and vintage looks. Ford and its licensing agency, The Beanstalk Group, thus set about developing a style guide that captured the essence of the Ford brand, communicated through a visual language that licensees could interpret into product. This creative direction is not only a key step in ensuring consistency in brand positioning, but also demonstrates the breadth and depth of the brand's creative resources that potential licensees can access.

Ford has specific style guides that are tailored for a particular market, model, and licensing opportunity. *Fordbrandlicensing.com* is a destination for brand information and creative resources that licensees, agencies and retailers can use.

The brand owners in Detroit make it their business to facilitate doing business with its licensing stakeholders, and constantly strive to develop new tools to improve communication between its agency and licensees. It is the strength of this partnership between licensor, agency, and licensee that underpins the success of the Ford program.

Summary

International expansion is becoming a major growth strategy for many brands, and licensing is fast proving to be a formidable route to market. As more and more brand owners contemplate the international opportunities for their brands, they must remember 10 key points:

1. Understand your brand perception and permission in different markets.
2. Identify your target consumer(s).
3. Understand the relevant market trends.
4. Identify the appropriate retail channels.
5. Make a clear assessment of the market opportunity, appropriate categories, and financials—develop a sound Strategic Licensing Plan.
6. Identify the most suitable model for delivery—agency or in-house.
7. Negotiate the “right” agreements for the program (and not just the most expedient agreement).
8. Build long-lasting program relationships.
9. Maintain strict oversight of product development and retail placement.
10. Keep your program under frequent review, and remember that licensing is a business model, not a magic formula for success!