

Using licensing to build a mega brand

The explosion of licensing and merchandising over the past two decades has benefited many top brands but it has pushed others in unexpected and risky directions, writes *David Benady*

For fans of some brands, simply buying their products is not enough. Many of them also feel the need to express their devotion to these brands by wearing Lego watches (self assembled, of course), T-shirts emblazoned with the Ford logo, or carrying Coca-Cola-branded bags. Harley-Davidson fanatics can dab on HD cologne, drink coffee from Harley-branded mugs or put on cufflinks in the shape of the famous bikes. Some even have the name tattooed across their chests.

At first glance, getting third parties to manufacture merchandise featuring a brand's logo seems an easy way of building both the brand and revenue. Moreover, the profusion of merchandise licensed from children's characters demonstrates the sales potential of licensing.

However, licensing deals can be risky, especially beyond heavily hyped areas such as mainstream films, TV and sports. They can dilute a brand, spreading it across an expanding list of product categories, eventually undermining its values and sending out confusing messages about what it stands for. In short, a poorly executed licensing deal can do more harm than good.

Selection process

Striking the right balance is crucial. 'We limit who we give licences to,' says Lego's joint head of licensing, Andrea Ryder. 'We get so many requests and people find it hard to understand why we say no to propositions that could be successful and earn us lots of money. However, we would rather say no than dilute the brand with an inappropriate tie-up.'

Lego's range of licensed video games is particularly successful, and the self-assembly watch is also a strong seller. Ryder acknowledges that Lego-branded clothing is pricey but points out that its high quality reflects Lego's brand values and that it is not aimed at the mass market. She also



Coca-Cola licensed clothing range is manufactured using recycled materials



points out that licensing accounts for a small percentage of the toy brand's total turnover.

Lego found out the hard way about the dangers of allowing licensing to get out of hand. In 2001, the company confessed that it had spent too much time and effort developing branded products at the expense of its focus on stimulating imagination, creativity and learning. It undertook to go back to basics and revise its licensing strategy.

This year will offer some significant licensing opportunities in the fields of entertainment and sport. In February Disney introduces its latest animated princess, Tiana, who stars in *The Princess and the Frog*. It will also be releasing *Toy*

Story 3 later in the year. Dreamworks, too, will be returning to one of its most successful franchises with *Shrek 4*, which comes out in the UK in June. That month, the football World Cup will create a further platform for merchandise sales. Some observers are already predicting that these licensing opportunities could help drag UK retail out of the

mire in the first half of this year. 'The key for retailers in 2010 is to reinvigorate the shopping experience,' says David Ringer, general manager for UK & Ireland at promotions agency The Continuity Company. 'Being associated with feel-good events such as film releases and the World Cup through the use of licensed products will create entertainment in stores and generate excitement.'

Disney is the world's biggest licensor; it has been licensing Mickey Mouse products since 1929 and reported \$30bn in world-wide merchandise sales in 2008. Nonetheless, the company recognises the potential pitfalls of this activity. 'It is incumbent on licensors to be responsible and not over-licence properties that simply do not translate well into products, leaving the retailer, licensee and consumer disappointed,' says Mike Stagg, vice-president for sales at Disney Consumer Products UK and Ireland. 'Products need to be relevant for their target market, on trend and offer good quality and value for money.'

Contrasting approaches

The company licenses merchandise across the food, health and beauty, home, stationery, toys, fashion and publishing sectors. Stagg cites *Cars* as a good example of how Disney has built a long-term franchise out of a movie that appeals to two- to five-year-old boys. 'This has been achieved by developing product that is credible and has a purpose,' he says. 'Working with our licensee partners, we will continue to create compelling and relevant products that have long-term consumer demand.'

The downturn has produced two contrasting approaches to licensing, according to Ciaran Coyle, managing director of Omnicom licensing agency Beanstalk.

'Over the past 12 months, some brands have put licensing on hold and concentrated on their core business, but others have said: "We need to do more licensing as it gives us the opportunity to drive revenue,"' he says. In any case, overall sales of licensed products have fallen, in line with the general retail market.

Licensing industry body Lima estimates that contracts in the UK could be worth about £200m. Coyle says the demise of Woolworths at the end of 2008 was a blow to the sector, as the chain was the UK's biggest retailer of licensed merchandise, though much of the turnover has been taken up by other chains. 'Some brands perceive licensing as too risky because they feel they will have to cede control of their brands,' he adds. 'Others see that they will have slightly less control over their trademark, but think that they can put measures in place to have as much control as possible.'

Some brands have seen the opportunity to use brand licensing as part of their social responsibility programmes. Working with agency The Licensing Company, Coca-Cola has reorganised its licensing around



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its efforts to promote recycling. Jackie Duff, who is responsible for Coca-Cola licensing outside the US, says most of the company's licensed products are made from recycled materials, including PET, which is used to make its plastic bottles. 'A few years ago we had a wider range of products. Now we have reorganised the range to be focused around our environmental initiative,' she says. 'We are not going to look for any opportunity to put our brand on a licensed

product. The question is whether it can be made from PET. All of Coke's branded clothing is made from recycled plastic and it offers products such as bags made from ring-pulls and woven from recycled labels. While it is important that companies avoid attaching their name to inappropriate ventures, the lesson of licensing is that brands are about more than single products – they are a promise of quality that can be extended into many areas. ■



Ford licensed products include car accessories and clothing

Case study Ford makes the most of marketing

The Ford Motor Company has been licensing its brand since the early 90s and has some 400 licensees making everything from video games to die-cast models and toys. The car marque constantly receives requests to use the logo on a wide range of products.

'We produce thousands of items every year across different categories from apparel to automotive accessories,' says Mark Bentley, licensing manager of Ford Global Brand Licensing based in Dearborn, Michigan. 'We even have requests to put the Ford logo on tombstones and coffins. We allow that as a one-off for a fan, but not as a general item.'

He says of the genesis of the licensing programme: 'The Ford family noticed the Ford trademark wasn't being used properly or with permission. Ford worked with the marketing and legal teams to put together a trademark licensee marketing programme. We talk about the three P's of brand licensing – to protect, promote and produce revenues.' Licensed turnover is estimated at about \$1.3bn worldwide.

Ford uses licensing agency Beanstalk, which handles some 350 Ford licences in the US from its New York office and 50 in Europe from London.

Deals usually last for three years with Ford receiving a minimum guaranteed income from the licensees each year and a percentage of sales revenues.

