

23 Rules For Successful Brand Licensing

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The deployment of brands is no longer limited to technology driven product markets. Today, valuable brands exploit their value in very different market segments, using different product technologies, competing against multiple competitors, being distributed in various retail channels, but still delivering the same brand promise and brand values. This umbrella brand strategy has become obvious in fashion, personal outfit, sports and lifestyle markets. In many cases, it is realised through license partnerships or similar alliance networks.

Trademark or brand licensing is much different from technology and software licensing. Why? First, a regular and close co-ordination between licensor and licensees is needed in order to guarantee a consistent brand image through all the market segments covered. And second, a brand is a different type of property. Having evolved over many years, it is just there. It does not need extra investment as in R&D, and its use is not limited to a 10-year period. So the rationale behind brand licensing has little in common with technology licensing.

However, little is known about it. Some companies are very successful in brand licensing, some are not. In general, brand licensing is not a core business of the brand owner, and licensors are unfamiliar with benchmarks, ratios, controlling processes, success factors and common pitfalls.

The following article describes 23 basic rules that help you to better manage your brand licensing business. It is structured into four different areas, including brand, partners, licensed products and licensing office. All the rules have proven to be

generally valid and applicable under any circumstances. You can use them as a checklist to see if there is room for improvement in your brand licensing activities.

A. The Brand

No licensing without a strong and attractive brand. There are five major prerequisites for successful brand licensing that are directly related with the brand.

1. The core of the brand must contain elements that can be transferred and create value on products in other categories. Brands with core values which are closely linked to a specific product or technology are hard to transfer.

2. The brand must be successful from the consumer's perspective. This means that the brand offers a solution which is up-to-date and superior to other brands, and the brand is growing. In some cases, certain brands on decline (i.e. retro brands) can also be transferred, but this is much more difficult.

3. The brand must have a high awareness in the target group. You have to consider that a good portion of your brand buyers will not follow your proposition in the new category. So you need a considerable number of people who know the brand already but didn't buy the existing products so far. Brand awareness should reach at least 25% of total population and 50-60% in the target group.

4. The brand must be successful from the brand owners perspective. This means that the brand is profitable enough to bear attractive marketing and branding budgets in the future. Don't try to collect a royalty rate of 7% if your own business earns only 2%. Your brand premium isn't

just attractive enough.

5. Successful trademark registration in the new categories is a must. And registration with an international scope takes more time than you would ever expect.

B. License Partners

With your decision to license out, you rely heavily on the skills and engagement of your license partners. Even if you have the strongest brand of the world – it is only as good as your license partner. The ideal license partner simply does not exist – only the most suitable at a certain point of time. But there are, of course, some basic requirements. It is helpful to develop a profile of the ideal licensee.

6. Don't give the license to a company that is on the defensive, because its existing products or brands are out-of-date. Look at success stories and growth in the past three years, relative to industry performance. And look at innovations and novelties that your partner has invented.

7. Make sure that the existing business of your license partner is profitable, and that he has enough reserves to finance the investment requirements for the launch of the licensed products.

8. Never forget that you can grant the license only once as an exclusive license, so it is vital to know the stra-

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tegic interest of your prospective license partner in the license. Does the license enhance his existing business? What would he do without the license? Does he have many more equivalent or even better opportunities in which to invest? Make sure that his interest is and will stay as high as possible.

9. For instance, shoemakers are quite different from fashion makers, because the products have very different historic roots, technologies and symbolism. That's why successful license partnerships need company cultures which are similar to each other. In the long run collaboration will be difficult and tiring, if the differences in thinking, planning, deciding and working are too big. Try to match to a maximum criteria like ownership and management structures, brand and marketing philosophy, stage and size of the companies, organisation structure and decision making processes.

C. Licensed Products

It is the licensed products that generate success, be it in terms of turnover, visibility, brand value or innovation. Your license partner is – or should be – expert in these products. But you should at least make the demands on him.

10. Always try to stay one step ahead – in the licensed categories. Read magazines, attend trade fairs, visit shops, talk to retailers and buyers, and analyse trends. This is the only way to match your brand with product innovations in the licensed category.

11. Do not leave product development to your license partner alone. It is your job to define USP, benefit, price, quality and design of the licensed products. So give your license partner a considerable deal of input in product development. Not only in the beginning of your partnership, but ongoing and continuously.

12. Many licensed products are just imitations or standard catalogue merchandise with just another label. Don't accept that. Strive for leadership and make your licensed products unique in their category. Give

them a specific benefit and a specific look so that they are superior to their competitors.

13. Don't be mainstream with your licensed products. Try to be as trendy as in your core product category. Organise creativity circles with your partners, insist on innovations. Once there are innovations, leave the benefits and property rights to the inventor who in most cases is your license partner.

14. Product designs and aesthetics are crucial for the brand identity, especially in lifestyle segments. But styles can vary substantially in different product categories. It is important to find matching styles over any category and to transport novelties (i.e. colours, materials, shapes, forms) as quickly as possible from the trend setting category to all the others.

D. Licensing Office and Organisation

Licensing is not a part-time job, neither for the managing director nor for the communication director. If you take your licensing activities seriously, you have to devote money and people to it. These people will have to organise, control and coordinate all the activities of the licensees. This is a demanding, challenging and most responsible job.

15. Reinvest "plus or minus" one third of your revenues from licensing in your licensing office. Use the remaining two thirds for your shareholders or for investment in your brand, but preferably not to cover losses in your core business. Your licensees wouldn't accept that.

16. Assign senior people with diplomatic personalities. Keep in mind that you are not entitled to instruct your licensees as their boss or shareholder. You can only guide them on the basis of the license contract and good arguments.

17. Assign different skills to your licensing activities, including product management, design, communication, controlling and sales.

18. Install a detailed and timely reporting system and controlling pro-

cedures, including target setting and benchmarking.

19. Manage your licensing office as an integral part of your organisation, in close proximity to product management, marketing and design. Don't let them take on a life of their own.

20. Push your licensing office to travel and to visit your license partners. They must be out of office 50% of their time.

21. Work out business plans together with each of your license partners once a year. Discuss and review such plans on a regular basis.

22. Do not expect plans and reports only from your partners. Consider your own reporting towards your licensees as natural and equally important.

23. Organise common activities like pool meetings, joint advertising, joint trade fair participation, joint promotions etc., and make every partner a valuable part of the whole program.

If you apply two thirds of these principles to your brand licensing activities, you will certainly be among the successful licensors. These efforts will be rewarding, as the royalty stream can last for many years and does not require additional investments. And finally, the general market environment is favorable for brand licensing, with annual growth rates of 10% on average.