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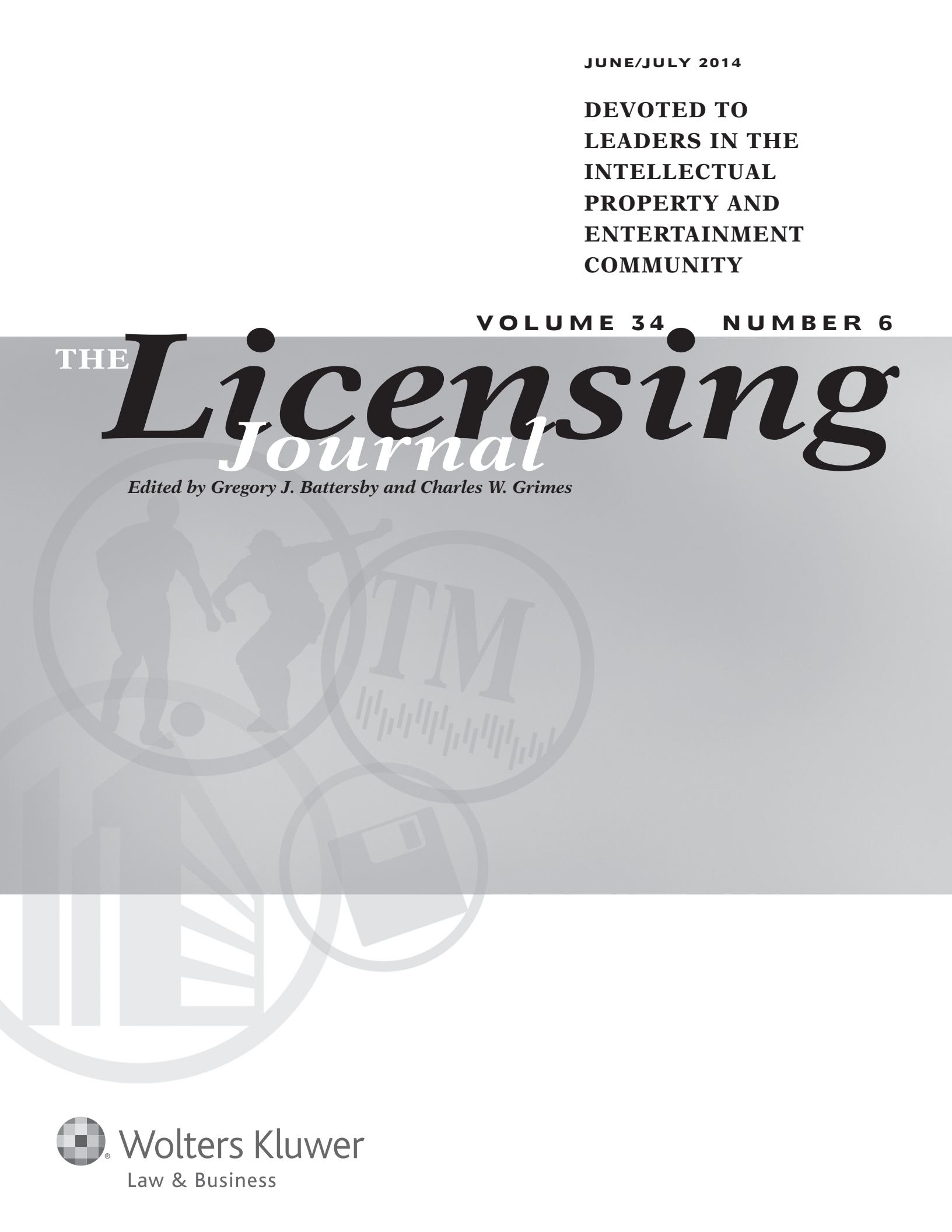

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International Licensing

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Licensing in the German-Speaking Markets: Tips and Success Stories

The "German-speaking markets" often are referred to as "GAS" for Germany, Austria, and Switzerland, because in earlier times owners of intellectual property rights usually granted licenses by language areas. As a result, they included the two significantly smaller countries of Austria and the German-speaking part of Switzerland within licenses granted for Germany.

At one time, almost all packaging, instruction booklets and care labels in these markets were in German only, so the 1957 Treaty of Rome, which facilitated the "free flow of goods within the European Union," had almost no impact. Nowadays, almost all packaging and instructions for products in Europe (or at least the 28 member countries of the European Union) are in at least the 10 most common EU-languages, because most of them aim for an EU-wide distribution.

This column provides an overview of some of the public relations (PR) and marketing objectives for licensors looking to introduce their products to the German-speaking market, as well as provide some case studies of licensors who have successfully marketed to this region in the past.

Marketing the Licensing Program

In most cases, licensors who go abroad already have marketing plans for their properties in their countries of origin. In the German markets, normally it is not necessary to re-invent the wheel. A professional presentation, a specified style guide and examples of what has been licensed elsewhere are the basic tools that a licensor will need to introduce a licensing program in Germany. Depending on the type of property to be licensed, the marketing and promotion should match its positioning. For example, for the kick-off of the Lufthansa licensing program, we planned to invite the "premier targets" (most desirable licensees) to a cocktail event in a new Boeing 380 and made a presentation on the monitors aboard, complete with sufficient samples of various Lufthansa-branded products from the in-flight shopping magazine.

A local PR agency can be valuable in providing the potential licensor access to the right trade papers and, if the potential property still needs a push, providing advice on advertising in the right media. Quite frankly, a well-structured PR campaign with personal follow-up usually produces better results than plain ads. Successful licensing involves more than knowing your target groups and approaching them with a licensing proposal. A wise, fully integrated PR program can spread the news effectively and heighten the image, positioning, and ambitions of a property in the minds of the targeted licensees before you approach them with a proposal.

Marketing the Licensed Products

Once you have some products licensed, the game plan will change slightly. Follow-up PR and advertising in the trade papers read by the retailers is imperative, with some of the media exposure hitting the consumer to ease the sell-in of your licensees to the trade. At this point it is important to have an adequate presence at the leading trade shows together with your licensees to cope with the demand that has been created.

Furthermore, the license agreement should include a clause for an advertising and PR pool into which part of the royalty goes. This money will then be used for combined advertising that shows all of the licensed products, or at least the ones that use identical distribution channels. Also, if the licensed products are now set to be at the point-of-sale (POS), you should update your social media presence accordingly, launch some sweepstakes there and create a coordinated hype for the property and products.

Interaction of Industry and Licensing

Most licensees are quite experienced in dealing with licensors, even if licensors often try to apply their "internationally standardized" approach that could potentially scare a prospect right from the beginning. If licensors want the best results from the media, licensees, and retailers, they should listen to these partners and play their game as much as it is possible.

If the property allows it, the licensor should be prepared to adapt it to individual needs or requirements of the licensee, for instance by creating special editions of artwork for one licensee or permitting another licensee to change the property's color or its background, thereby making it fresh and unique or at least distinguishable from the competition.

The German-speaking markets are still significantly behind

France, Italy, Spain, and the United Kingdom with respect to the scope of licensed products. As in most other countries, many major companies try to build up their own brands to avoid the need to take a costly license. The result is that at times of economic weakness, licenses tend to weaken, too, and retailers concentrate on house brands as they are not subject to royalties, and hence less costly. Smarter companies, however, will work an anti-cyclical strategy by adding licensed products when their competitors decrease their share in the overall product portfolio, gaining market exposure and higher consumer recognition.

In many instances it has proven a good idea to accelerate the start of a foreign licensing program by granting import and distribution licenses. By importing products already licensed for another territory, licensees save time and money for product and design development and can start right away with the marketing activities. Also, the licensor can offer the licensee a break with respect to Minimum Royalties if they commit to specific marketing and advertising activities. Of course, once the products sell, the licensor can convert the import/distribution licensee to a "regular" license.

Case Studies

NFL National Football League

Back in the mid 1980s, I was approached by NFL Properties to become its licensing agent for American Football in Germany—where the main sport is soccer and at a time when even the soccer leagues had no real licensing programs in place. My first reaction was "No way." But when they told me that they had contracted with a smaller private TV station to air the most interesting matches, complete with two commentators to explain the game, I looked at it more closely and decided to give it a try. We started by licensing German importers of NFL merchandise from the United States to keep their initial investments low, and when sales improved, converted them into "regular" licensees doing their own sourcing. As American Football was conceived somewhat classier than soccer it became in fashion to wear replicas and other fan products of the "modern knights."

After some years of steady growth, the business was so strong that the NFL decided to save the commissions payable to all their European agents and let their contracts expire. The idea behind this was to simply allow now the 100+ US licensees to export their NFL merchandise to Europe as the marketplace was well set by the agents before. Well, that strategy worked for a little while, but with no local agents, they had no real control with respect to regulating the market and soon oversold. But most importantly, their idea of saving money (commissions) was not a logical one. In this scenario, the NFL received their royalties on the export price that their US licensee's charged on sales to Europe, while before the royalties were calculated on the wholesale price charged by the German importers to their local retailers (which obviously was much higher and made up for the agents commission).

Fabergé

When the Dutch-British conglomerate Unilever bought the US body care company Fabergé to merge with its US subsidiary Chesebrough-Pond to fight L'Oreal, they also acquired the trademarks that originated from the Russian Court Jeweller of the Tsars, Carl Fabergé. While body care products (BRUT de Fabergé) were at the very low end of the price segment and almost had to buy its way onto the shelves, the new brand owner from Europe realized that the brand might be more recognized and valued in Europe than in the United States at that time (where hardly anyone knew the history of the brand).

So they appointed a German company as their exclusive licensing agent for Europe who began by focusing on the products Carl Fabergé became famous for in the late 1900s: jewellery. The program soon followed with luxurious eyewear (from the Cartier licensee), décor fabrics, china, crystal, and gift items. Combined with heavy PR activities by the agent, and advertising by the licensees, the brand Fabergé began to compete with Bulgari, Cartier, and Tiffany. Then, having re-established the past fame of the brand through licensed products, Unilever decided that the brand was strong enough to be "transferred back" onto body care products. Soon afterward, they launched an exclusive fragrance "Joyaux" (Jewels), selling for a higher multiple than the previous ones. Unilever was able to raise the wholesale prices of the entire body care line by approximately 7 percent which at that time made a very nice "side income" on top of the significant royalties generated by licensing (considering the US$ 700 million sales volume concerned).

So you see, licensing can really help to strengthen a brand, as well as to introduce new brands to new markets in the German-speaking economy. The key, however, is for licensors to find the right local partnerships in order to properly market and advertise the licensing program and licensed product line.

Sir Michael A. Lou is President of V.I.P. Entertainment & Merchandising AG, Hamburg, Germany. VIP has represented

numerous proprietors of renowned brands, including IBM, Pepsi Cola, General Motors, Fabergé, Pierre Cardin; characters and celebrities including, Star Wars, Indiana Jones, James Bond, Tarzan, Terminator, James Dean, Elvis Presley, Marilyn Monroe, Michael Jackson, Madonna, Britney Spears and The Beatles; sport properties such as the NFL National Football League, UCLA, NCAA, the International Tennis Federation; charities such as the Princess Diana Memorial Fund, the Vatican Library or Deutscher Tierschutzbund, and other popular properties. For more information, contact www.vip-ag.com.

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