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• FEATURE •

BRAND LICENSING - AN OVERVIEW

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The mention of brand licensing often inspires thoughts of established names such as Dior and Chanel. These two giants each generate over $1 billion at retail through their licensing programs. Other high-profile names include Yves St Laurent with annual licensed sales of around $500 million and Armani with $300 million. But how many people know that licensed product based on lesser known brands such as Marlboro or Elle actually generate higher revenues? The last few years have seen a number of major corporate players joining the licensing circuit. And these include all types of corporations. Some own trademarks with high awareness levels and product penetration (such as Coca-Cola, Jeep, Marlboro and Swatch). Others have a more particular target group such as Davidoff, Fabergé and Elle. A further group, such as tobacco and alcohol corporations go into licensing as a way of making up for limitations placed on their advertising. Whatever the reasons, most companies enter the marketplace to extend their brand and, ultimately, to make money.

BRAND LICENSING VS CHARACTERS AND ENTERTAINMENT

While character licensing usually has a rather short life, based on the time that the property is 'hot', brand licensing only works once the brand has been successful in the marketplace over a length of time. Not every trademark is automatically suitable for licensing. The brand that will succeed not only has a high consumer profile but also specific consumer values associated with it. Good examples of this are Davidoff, Swatch, Benetton and Porsche. Brand licensing is no substitute for character and entertainment properties when it comes to the use of names for a limited time on products in areas where consumers expect something new every season.

However, it is of advantage if a company wishes to re-position a brand, lift an image, define points of difference and generate higher profit margins from quite low additional investments.

POINTERS FOR LICENSORS/LICENSEES

The criteria applied by a licensee to choosing the most appropriate brand is similar to those that the licensor needs when evaluating a licensee. These are:

1. Obtain sound and accurate data on the popularity, awareness and consumer target market of the brand.
2. Ask about advertising plans.
3. Make sure there is clear cohesion between core and licensed product. A good example is the image created by the man in the TV ads who walks for miles for a Camel cigarette. Logical product extension includes Camel boots and bags. Conversely, however, a confusing example is Mobil Oil's brand extension into breakfast cereals.
4. Ensure that there is a professional licensing program handled by a licensor that regulates the type and the number of licensees. This avoids 'over-licensing' as happened in the case of Pierre Cardin which was licensed onto anything to make money .
5. Target a brand that has efficient artwork and design production, fast approvals and an effective anti-piracy program.
6. Find out if there is a cross-product advertising and marketing plan.

WHICH BRANDS SUIT LICENSING?

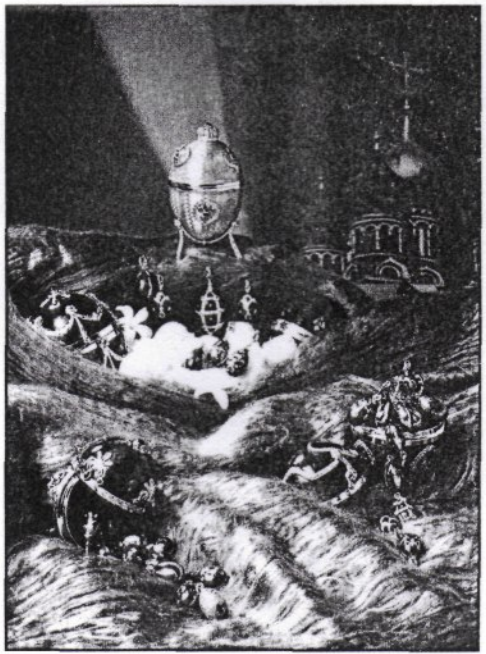
This is a hard question but there are lessons to be learned from past experiences that can be applied when selecting a brand. Some of the stranger examples of these are below:

Bally, widely known for high quality shoes, had little success with their fragrance line which tried to convey a fresh leather smell. However **Davidoff** had success in the bodycare line - even though they were associated with the smell of cigars - and enjoyed some success with leather products.

Elle, the leading women's magazine published in seventeen languages around the world, has had successful licensing programs in countries where the magazine is relatively weak but has had problems licensing the brand in France - home country of the magazine and the territory where it has the strongest readership. This, if anything, proves the need for co-ordinated global licensing programs for brands that enjoy multi-national recognition.

Pepsi-Cola is strong in the US but is weak in Europe and suffers when competing with Coca-Cola's program. Moreover Pepsi's general advertising has decreased considerably. This has resulted in licensees suffering from a lack of product image building.

Fabergé is a further strange case. Products were first launched four years ago based on the designs of the Tsars' jeweller Carl Fabergé *(see below)*. Despite the original imagery, products have sold extremely well in Germany, especially at mass market. This proves that if the original property has a strong enough reputation, brand licensing can succeed in a wide range of markets.

THE FUTURE OF BRAND LICENSING

Compared with the last few years - and especially with the character licensing industry - the future of brand licensing looks very healthy indeed. In summary, many well-known brands already have licensing programs in place in Europe. Others, for various reasons, have so far given licensed product a wide berth. While there are no guarantees of success for either licensors or licensees, if the program is right, the potential rewards are enormous.