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Top of Mind

Perspectives and Commentary

A Primer on Licensing —Yes, Both Kinds

THE licensing industry will convene in a week's time—as it does every June—for its annual dealfest in New York. Wherever industry regulars gather, they're sure to discuss the world's largest licensor; that talk is sure to ripple through the cavernous Javits Center

next Monday. Our 800-pound gorilla, of course, is actually a mouse (Quick—guess his name!). The world's citizenry buys more than \$23 billion in Disney-licensed products each year.

This year, the most important licensing deal done by Disney was a partnership with Kroger to develop hundreds of branded food items—mostly in the produce aisle and the so-called “better-for-you” categories—each, of course, employing various Disney characters. I'll leave it to others to declare it a good idea (or not); most of the debate centers on whether such a deal represents a cynical attempt to gain credit with parents and guardians. What's confused me, though, is whether it should be considered a licensing deal at all.

A client of mine once told me that licensing should not be considered a single industry or practice. It did not represent one thing but rather a *medium* like, say, electricity—and the only thing that a thousand licensing deals have in common is the form of contract (a license agreement) that holds two partners (licensor and licensee) together. PR and advertising are both forms of marketing communications, but it would be confusing to call them the same thing. In much the same way, it does not serve us as marketing professionals to call all forms of licensing one thing, either.

Back to the Disney/Kroger deal. It has made me realize that there are two very different types of licensing deals being considered side by side, and they deserve two different names.



By Stephen Reily

BRAND EXTENSION

Brand Extension is what I consider the classic licensing deal, whereby a brand is sought by a third-party because its equities will inspire the development and appeal of a great new product. The licensed product will embody those equities in as many ways as it possibly can.

Caterpillar-branded boots, for example, feature not just the CAT logo but the lug of heavy-equipment tires (and, hence, an implicit message of toughness) on their soles. Stanley-branded work gloves come in the brand's

familiar yellow and, by their very nature, support a consumer's use of Stanley tools. Disney's Mickey-shaped hamburger patties fit this category as well, emphasizing the core brand equities with this new product's unique appearance.

Each of these licensed products gives consumers an alternate way to experience the licensed brand. Each will succeed to the degree the product is positioned consistently with the core brand, developed to embody the core brand's look and feel, and used and distributed in ways that support the core brand itself.

BRAND PLACEMENT

In Brand Placement, one company licenses the brand or trademark of its owner solely to attract consumers to the product. Classic examples of this are the film-and character-licensed freebies in the kids' meals you'll find

at any fast-food chain. The restaurant pays a movie studio to incorporate its hit properties into a boxed meal to make the underlying product—which remains fixed and unchanging—more exciting. The application of Spider-Man's lithe profile does nothing to enhance the culinary merits of a chicken nugget; Spidey just makes a kid more interested in *eating* said chicken nugget.

The licensing industry shuns the phrase “logo-slapping” (the indiscriminate licensing of a brand onto any product that happens to be available) and I'd like to be clear on this point: good brand placement is *not* logo-slapping. Instead, it represents classic marketing by connecting a brand with the target customers of a given product or service. The brand/licensor gains exposure within a relevant market; the manufacturer/licensee gains relevance in its own marketplace.

The Disney/Kroger deal is an example of brand placement; so is the deal under which Nascar licensed a line of fresh produce. A Nascar carrot is not “about” Nascar the way that a Nascar-licensed model racecar is. There's nothing wrong with these deals but, unlike a great brand extension, they're probably not around for the long haul. What's more, even iconic brands like these risk losing their uniqueness if customers can spot them in every aisle at the local grocery.

As marketers, we should recognize brand extension as a great way to inspire consumers with new products and ideas, and brand placement as a great way for licensors to get their brands or characters in front of consumers.

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We should also recognize one area where the two overlap: Both can easily fail. Brand extensions flop when the new product doesn't genuinely incorporate the brand it represents. Brand placement collapses when the new product does not “fit.” (A good measure of that: If the customer says, “What were they *thinking?*”)

Of course, time will tell whether Disney-branded yogurt, apple juice and frozen peas will meet with that dreaded question. Meanwhile, practice your knowledge of both types of licensing deals—you'll need it for the show.

Stephen Reily is CEO of IMC Licensing, Louisville, Ky. He can be reached at (502) 589-7655 or sreily@imclicensing.com.

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111 W. WASHINGTON STREET, SUITE 400
LOUISVILLE, KENTUCKY 40202
(502) 589-7655
FAX (502) 589-7654
WWW.IMCLICENSING.COM