

IMC Licensing Launches Impressions Survey

by Stephen R. Reily



For several years, IMC Licensing has been leading industry dialog about measuring the benefits from licensing. Two years ago I gave a talk (later published as an article) on "Measuring ROI from Licensing." The response to that piece confirmed what my colleagues and I at IMC Licensing had long suspected. Licensing professionals are extremely interested in how to quantify the benefits their work delivers their brands and are extremely frustrated at the lack of generally accepted tools for doing so.

To continue our industry-leading role in this important area, IMC Licensing has recently launched a broad survey in the world of consumer product licensing to evaluate best practices in the area of ROI measurement.

The Survey

Our survey team is speaking with marketing professionals active in licensing consumer product brands to create other consumer products. We are evaluating how these professionals measure the marketing benefits from their work – whether and how they quantify benefits for the brands they represent beyond the dollars the brands earn in royalties or the retail sales of the products the brands license.

The Results

The purpose of this article is to announce preliminary results from the IMC Licensing Impressions Survey and to encourage anyone who reads this article to participate. To summarize the early results, we have learned the following:

Most licensing organizations (more than 65%) still do not measure the number of impressions their licensed products generate in any form.

A small but significant minority of licensing organizations (10-20%) measure the media impressions their licensed products generate and use some formula to quantify the value of those impressions in dollars.

Another sizeable minority (10-20%) applies metrics familiar in other fields of marketing. They quantify media impressions; facings (the presence of licensed products on retail shelves); and purchase and use by consumers. In some cases they even report these numbers to managers who evaluate (and budget) their licensing departments based on these measures.

At IMC Licensing, we believe that companies who fall into the third category represent the wave of the future in the licensing industry; we believe that licensing is on its way to the adoption of industry-wide evaluation methods like the methods used for other great marketing tools. But our Impressions Survey also confirms that our industry is not yet there.



The Results in Practice

What are the survey respondents telling us? In their responses they are dividing themselves into three groups, each indicating a progressively more sophisticated appreciation for the marketing (and non-financial) benefits of licensing.

Group 1: No Measurement of Impressions

This group, which constitutes the largest number of early-stage respondents to the IMC Licensing Impressions Survey, includes some of the world's largest consumer product giants. None have been tasked with comparing returns on their work with other marketing divisions within their own companies. Many indicate a strong desire to learn more about what others are doing in this area and to develop quantifiable tools for explaining the benefits of their work to their managers and corporate leaders.

Two respondents – both from Fortune 500 companies with world-power brands – admit the inconsistency in their own corporate positions on this topic: Their revenues and bottom line are so great that no one within their corporations pretends to license for the money and their employers staff a licensing department solely for the marketing benefits, yet neither of their companies does anything to measure the non-financial benefits of their work. Even when marketing effectiveness and ROI are the stated goals of the licensing department – and in most cases the entire corporation – there is no expectation that licensing explain its benefits in terms of marketing impact.

Group 2: Measuring Impressions from Unit Sales & Media Placement

A second group, about 15-20% of respondents, quantify impressions from the marketing and sale of licensed products in measuring the results and benefits of licensing.

Several licensing departments, including companies with the largest advertising/marketing budgets among consumer product firms, report that they quantify the impressions from licensing in terms of advertising (using traditional measures of CPM or "cost-per-thousand"). Such companies usually include each "unit" of licensed product sold as an individual impression; and they will include the value of any consumer advertising (television advertising, Sunday circular placements, coupons) as though they had paid for it themselves. These measures add considerably to the value of licensing, and help their managers understand that licensing (separate and apart from royalty revenue) generates benefits they would have had to pay for themselves.

Group 3: Measuring Impressions from Multiple Sources

A third group, which appears to make up between 10-20% of those actively licensing consumer product brands, quantifies the benefits from licensing in a more complex manner. These companies generally develop their own, customized methods to approximate the measurement tools of other marketing practices.





One respondent, a licensing manager from a top-3 business in its giant industry, describes an especially sophisticated and robust model: he reports the benefits from licensing in the methods used by the firms described above, but then adds customized measures to value the benefits of the placement of his licensed products on retail shelves, and then adds to it a measure that conservatively values the impressions of licensed products as used by consumers. For example, he has developed his own formulas for individual product categories. He assumes that apparel products will be seen by at least 10 people after a consumer buys them, and values those appearances as consumer impressions. He uses similar conservative formulas for other categories – food and collectibles, for example – and reports them to the highest level of his multi-billion dollar corporation without complaint.



Another company, one of the most respected giants in consumer product marketing, has developed a more subjective but equally robust model. This company has begun reporting the incremental benefits of licensing in a variety of ways: additional retail presence for their brands; supplemental distribution and sales of their core branded products; and a higher blended margin on their brands for retailers. They report these numbers not just to their own management, but to the retailers who carry both their core product and licensing products.

Conclusion

The IMC Licensing Impressions Survey indicates big differences in whether and how to measure the marketing benefits from licensing. We believe that difference can be largely explained by the relative youth of the professional licensing industry – many of our respondent companies have been licensing for only a few years, if at all. Senior management at most respondents have yet to accept licensing as a professional marketing tool.

IMC Licensing believes there is an additional complicating factor for CPG firms to value the benefits from licensing. Those firms spend billions of dollars a year on advertising, public relations, product placement, CRM and other marketing efforts for whose results they are comfortable calculating results in terms of consumer impressions. But those same firms seems less willing to attribute value to the marketing value of licensing – maybe because the “output” of licensing is generally another consumer product itself.

Because these consumer product giants do not attribute a marketing value to the retail presence or sale of their own “core” products, they may be resistant to doing the same to licensed products. Several respondents have told us that because their CPG firms do not measure impressions of retail facings their own products, it does not seem right to include such calculations relating to their licensed products.

Yet the purpose of a licensed product is generally to support the brand and core products the company manufactures and/or distributes itself – so treating it as a marketing tool rather than another product in the firm’s own portfolio might is





appropriate and should not feel “wrong.” It is a strange marketing world that grants full value to impressions generated in Sunday supplements but does not value impressions generated on retail shelves or on the backs or countertops of ourselves, our fellow consumers and friends.



To conclude, we have not been surprised to learn that most companies – even among the country’s largest CPG firms – still measure the benefits of licensing in royalty revenue earned, and royalties only. But we have also been inspired by the firms that do measure those benefits in a richer manner, and believe that there will be less difference between the three groups in the future.

To participate in the Impressions Study, please e-mail sreily@imclicensing.com. As IMC continues its work on this study it will release findings to generate continued industry discussion on the value of licensing beyond royalty revenue.

About the Author

Stephen Reily is Chairman and CEO of IMC Licensing the nation’s leading agency specializing in consumer product brands. Firmly grounded in America’s heartland, IMC turns brands into great new consumer products that delight customers and expand the long-term value of our clients’ iconic trademarks. IMC clients include Anheuser-Busch, Cub Cadet, Kraft Foods, Remington Arms, Sierra Club, TABASCO, and Wm. Wrigley Co.

