



# Inbound Licensing 101



## Inbound Licensing for Manufacturers, Brand Owners and Retailers

by - Stephen Reily

Although our agency represents companies that own brands and want to license them – companies engaged in what we call “outbound” licensing – we at IMC Licensing spend a lot of time understanding the needs of the companies who might engage in “inbound” licensing, whether they license our clients’ brands or others. Typical businesses that engage in inbound licensing include manufacturers, brand owners and retailers – yet the goals and benefits vary significantly between these categories.

### Inbound licensing for manufacturers

Manufacturers – especially those who do not own major brands themselves – license for a variety of reasons:

- To give consumers a genuine reason to believe: brand extensions represent the most reliable way to generate trial of new consumer products.
- To support national retail accounts, which want to offer brands familiar to all consumers.
- To save advertising and marketing costs; allowing manufacturers to do what they do best (manufacture, sell and distribute).
- To differentiate commoditized products.
- To capture important trends.

Of the many success stories, here are a several excellent examples that met these goals:

*Sunkist Soda.* This longstanding success has an interesting history. The original licensee of Sunkist soda – in 1965 – was General Cinema, which wanted to pour branded orange soda in its movie theaters. After a series of other transactions, the licensing rights were acquired in 1986 by Cadbury Schweppes, the world’s 3rd largest soft drink manufacturer and today Sunkist Soda remains the #1 orange soda brand with a 30%+ market share. Coke, in contrast, has only a 10% market share with the Minute Maid/Fanta brands, which it owns – confirming the value of a licensed brand when the equity fit is right.



*Remington Apparel.* Brinkmann Corporation is a major grill manufacturer whose owner is an avid hunter. Brinkmann identified an opportunity to build an entire line of apparel around a major firearms brand – Remington – a brand that had not copied many of its competitors by licensing to a number of different manufacturers in different apparel categories. Because the brand was available so broadly in the apparel category, Brinkmann was able to build an entire business around it – which has been good for both the inbound licensee (Brinkmann) and the licensor (Remington).

**Remington.**

### Inbound licensing for brand owners

Even companies that own strong brands engage in inbound licensing when it helps them achieve any of the following goals:

- To reach new or specific target markets.
- To attract attention to a mature category.
- To extend an existing product line.
- To support an equity the brand lacks on its own.





Of the many success stories, here are a few examples that well-illustrate these goals:



**Bonne Bell.** Bonne Bell is an established cosmetics company – the seventh largest in the U.S. – that uses inbound licensing to reach markets its core product lines do not reach. Unlike some of its competitors, Bonne Bell uses inbound licensing not to “see what sticks” but to meet strategic opportunities it perceives in the marketplace. Bonne Bell has licensed fewer brands – brands like Skittles, Jell-O and Kool-Aid – to meet bigger goals. And its approach has paid off.

**Unilever.** Unilever owns a brand or two – including Breyers and Popsicle, among the strongest in their categories – but it licenses brands owned by others to emphasize certain equities that its products might not communicate on their own. In the last year or two, Unilever has used inbound licensing to launch successful new products in frozen novelties – its LifeSavers Popsicle was the #1 new popsicle product introduced in 2006 – and in packaged ice cream – its Goya-branded line of authentic ice cream flavors is a major new product launch of 2007.

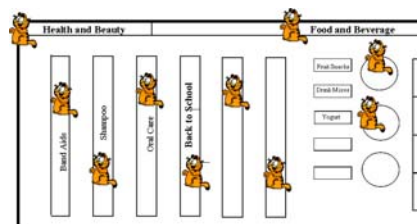


### Inbound licensing for retailers

Once the deal is signed, your work is done, right? Wrong! Managing a licensing program requires checking in with licensees frequently to ensure compliance with all of those things you’ve spent weeks or months negotiating into the contract.

For retailers, inbound licensing helps them achieve the following goals:

- To offer exclusive products or brands.
- To support tiered price points (Good, Better, Best).
- To reach new or specific target markets.
- To gain leverage against manufacturers.



Of the many success stories, the most relevant include:

**Meijer/Garfield.** Michigan-based Meijer Corp., a \$13-billion grocery chain, has used Garfield to present a beloved brand more broadly – and exclusively – throughout the store. For Meijer, this license is more simple to execute than multiple licenses marketed, . . . and unlike buying licensed products from manufacturers, this license allows Meijer to control pricing. Kroger has recently launched a similar campaign with its Disney Magic Selections line – in dozens of food categories – now found in multiple aisles.

**Macy’s/Martha Stewart.** Martha Stewart has been the retailers’ licensing sweetheart for many years, sharing her brand equity with Kmart, Sears . . . and now Macy’s, which appears to be using Martha’s brand (in this case the name “Martha Stewart Collection” to help Martha move away from Kmart and its “Martha Stewart Everyday” line). Kmart’s license expires in 2009, and its guaranteed royalties payable to Martha will peak this year at \$65 million, probably double what Kmart will generate in earned royalties. To us, it looks like Macy’s represents the future of retail licensing for Martha and her fans.





## Evaluating Inbound Licensing Opportunities

Determining exactly what brand is right for your company is a complicated process – and one that we would be happy to discuss with you in person. For the purposes of this article, we can summarize a few major considerations

- *Brand Power.* What is the brand awareness of the equity you're looking at? The advertising, promotional and marketing plans of the brand? Don't assume you know whether a brand is meaningful to consumers are not.
- *If the Shoe Fits.* How closely does the equity you're looking at fit your needs, your goals and your plans. Does it make sense, as a viable product in your space? .
- *Catch the Wave.* Inbound licensing can be the perfect way to ride a trend that your line of products doesn't reflect, whether it be organic or pop culture-related. Just be sure you can limit your risk if (and when) the wave ends.
- *Go Green.* When we say "go green," we mean "evergreen." While trends can be useful, always consider the inbound licensing opportunities that will support a lasting product for you; it will generate a better return over time, and make you a hero to the licensor. You can take a 100-year old brand and know that its equities and consumers will not be changing.
- *Gut Check.* Sometimes you can look at something and say, "that makes sense". Without putting all your stock in it, do trust your gut. You know your business better than anyone else.
- *Risky Business.* Licensing is risky, and we realize that licensees assume most of that risk. Paying to develop a product that doesn't sell – financial risk – is the most obvious, but there are a host of other risks to consider, many of which arise from events beyond your control. You can find a full description of those risks, and how to minimize them, by listening to our original webinar on this subject on our website.

## Conclusion

It's not always possible to own the best or biggest brand to deliver growth for your business. For that reason, your company – whether a manufacturer, brand owner or retailer – should consider whether inbound licensing can help you achieve that growth. There are risks – licensing always presents risks – but the opportunities are too great to ignore.

*This article summarizes content IMC Licensing issued as part of a recent webinar which can be found on our website, [www.imclicensing.com](http://www.imclicensing.com).*

