



Licensing 101

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Licensing Overview

Licensing is the method by which brand owners extend their trademarks onto consumer products manufactured and distributed by others. For example, when consumers enjoy their favorite hot dogs on Oscar Mayer® hot dog buns, brand licensing is at its best. Oscar Mayer is a well-established brand that has successfully turned its trademark into a great new consumer product via licensing. Since Oscar Mayer does not manufacture bread, it has licensed its iconic brand to a high quality bakery manufacturer to reach consumers in new places and new ways with a logical new product.

In 2003 licensed products generated retail sales of \$71.4 billion in the U.S. and Canada. The largest and fastest-growing segment of the industry is corporate brands and trademarks, which produced 25% of that \$71.4 billion. Brand licensing supports new products in a wide array of categories such as food and beverage products, apparel, accessories, housewares and publishing among others.

Reinforcing Your Brand

Some licensed products are very much like the brand's core product itself. They may be used the same way (like licensed food products for a food brand); they may be used by the same consumers (like a board game based on a children's cartoon); or they may be distributed in the same channels (like cocktail mixes for a spirit brand).

Such products achieve every brand manager's goals, including the following:

- Supporting brand awareness through new products and impressions.
- Reinforcing brand imagery and equities through new brand associations.
- Supporting brand positioning, advertising and marketing – marketing that pays for itself.
- Increasing usage occasions.
- Expanding brand's presence at retail – and its share-of-mind among shopping consumers.
- Enhancing brand ownership of its category.
- Surrounding your target.
- Sustaining market share and profit margins.



Licensing keeps the brand top-of-mind in new places and new ways. It is self-funded and revenue generating, providing by far the best return on investment in your marketing mix.

Traditional marketing methods are no longer enough to reach consumers effectively and ensure growth. A rapidly changing environment for brand managers requires smart and new ways to reach consumers and grow their businesses.

Licensing is a form of “experiential marketing” that offers the consumer unexpected ways to interact with and use a brand. Consumers are often more permissive and open to this unexpected interaction. They are willing to spend money to give this brand a new role and expand its presence in their lives. In purchasing the new consumer product, they in fact are confirming the brand’s meaningful role in their lives.

Building Your Brand

Some licensed products not only reinforce the brand’s equities but build them. Such products lead the brand into new territory. They may not be connected to the brand’s best-known use or they may fall outside the brand’s own category or channels of distribution. However, these products often expand brand equity more than advertising, promotions, sponsorships or direct marketing can alone.

Licensed products not only remind consumers of what the brand is; they allow consumers to let the brand mean more. This serves a number of vital brand management goals, including the following:

- Increasing the brand’s functional and emotional equities.
- Expanding the brand’s markets by reaching new consumers in new ways.
- Gaining channels of distribution where the brand’s core product cannot go.
- Improving competitive strength. When a brand’s competitors are using new consumer products to fill store shelves and consumer needs, licensing may become a necessity. The biggest brands are using ancillary consumer products to broaden their overall role in consumers’ lives.



Improving Your Bottom Line

Licensing not only reinforces and builds your brand; it also generates independent financial returns on the brand itself. Although no brand should enter a license agreement solely for that income, royalty revenue (generally a percentage of the licensee's wholesale sales) can make an important contribution to a mature brand's growth, and to any brand's net income.

Royalty revenue is also high-margin income; license agreements often generate the highest ROI in any brand's portfolio of deals.

There are other financial benefits as well. Cross-promotions with licensees can directly expand sales of the brand owner's core products. And many licensees become important customers of the brand itself, either for branded ingredients or for other products necessary to market or promote their licensed goods.