



## SURVEY SAYS... Things are better than you think!

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Results of IMC Licensing's 2009 Year-In-Review Survey showed that licensing activity last year was actually not quite as bad as you might think. While no one is necessarily dancing in the streets, good solid deals are out there and the licensing business is holding its own.

IMC Licensing's survey of licensors, licensees and agents sought to take a temperature check of the industry and its general trends. We acknowledge that there are other surveys out there that provide a more comprehensive look at the industry, but we wanted to field a study that participants could take without having to pull out their spreadsheets or spend a chunk of their precious time to complete. We know that now more than ever resources and time are tight!



So what did we learn?

**Brand owners are increasingly interested in signing licensing deals.** Around 52% of brand owners cited an increase in the number of licensing deals signed in 2009 while only 11% cited a decrease. This is an easy one to figure out. Since licensing is actually a revenue generating form of marketing, it makes complete sense that licensors want to explore this avenue at a time when marketing budgets have been slashed. Speaking of budgets being slashed, this same factor likely accounts for the decrease in interest in licensing by others. If I had a nickel for every time I heard about how tight resources are somewhere, I'd have enough to reverse the clobbering my retirement account has taken. While licensing is revenue generating and outsourcing to an agent can reduce the burden on internal resources, it still takes involvement to do it right. If teams are already stressed from working 12 hours a day, some literally cannot add one more thing to their plate of responsibilities.

**Licensees are more selective than ever.** About 45% of licensees said their willingness to sign deals has decreased while 29% said their willingness has increased. It's a buyer's market. Licensees are looking for the right brand to differentiate themselves to retailers and want the right deal on the right terms that minimizes their exposure and risk. Licensors who are hungry for opportunities for their brands are needing to sit down at the table and negotiate a fair deal all around.



**Deal terms are moderating while royalty rates are holding steady.** Approximately 90% of respondents report that advances on new deals have decreased or held steady in 2009 while 10% actually showed an increase. Gone are the days of big advances on a wing and a prayer. We've seen more reasonable advances with staged in guarantee payments as a program develops to help licensees get a program off the ground. Overall contract guarantees mirror this trend. The good news is that in exchange for some relief on guaranteed payments, royalty rates have held steady or increased according to 84% of the respondents. The strongest brands who can offer manufacturer true differentiation in a category can command favorable terms, but those programs often involve a lot of collaboration with the licensor where the licensee is truly benefiting from the brand's core marketing efforts and the programs are synergistic.

It's you and me, babe.

As we look at 2010, many in the licensing industry are holding their breath and proceeding with cautious optimism. I embrace these trends as I feel this approach more closely aligns the needs of licensor and licensee in the true sense of partnership. When the right brand and the right licensee can come together to fill a legitimate consumer need and offer differentiation in the marketplace at a price point that consumers can afford, we've done a good thing. Let's do more of it!

Scroll to page 3 for a full report of the survey results.



**About the Author-** At IMC, Cara is responsible for managing the day-to-day operations of the organization. Since co-founding IMC in 1997, Cara has developed wide-ranging portfolios of licensed products for several clients and has led the process by which IMC develops its own portfolio of new clients. She works intimately with clients and internal staff on strategy and the plan by which IMC will develop licensing portfolios. Cara has published articles in *The Licensing Journal* and *brandchannel.com* among others, and has been a featured speaker at leading industry events including *Licensing University* and *LINK*. She currently serves on the strategic planning committee for the *International Licensing Industry Merchandisers' Association (LIMA)*, the trade organization of the licensing industry. Before joining IMC, Cara worked for *International Sports Marketing, Inc.* where she represented professional athletes in licensing and other transactions, for *Network International* and for the *Pittsburgh Pirates Baseball Club*. She received a B.A. in Communication from *Chatham College*.



## 2009 Licensing Industry Year-In-Review Survey Results

- Are you a:
  - 45.5.% Licensor
  - 42.6% Licensee
  - 7.3% Other
  - 4.4% Licensing agent
- The volume of new licensing opportunities for brands you represented in 2009:
  - 50.7% Increased
  - 26.9% Stayed the same
  - 22.2% Decreased
- The willingness of brand owners to sign licensing deals in 2009:
  - 51.6% Increased
  - 37.0% Stayed the same
  - 11.2% Decreased
- The willingness of licensees to sign licensing deals in 2009:
  - 45.1% Decreased
  - 29.0% Increased
  - 25.8% Stayed the same
- Have you had to renegotiate existing licensing agreements due to the economy?
  - 52.3% No
  - 47.6% Yes
- The size of advances on licensing agreements in 2009 compared to prior years:
  - 50.7% Decreased
  - 39.6% Stayed the same
  - 9.5% Increased
- The size of total contract guarantees on licensing agreements in 2009 compared to prior years:
  - 49.2% Decreased
  - 38.0% Stayed the same
  - 12.6% Increased



- Royalty rates on licensing agreements signed in 2009 compared to prior years:
  - 71.4% Stayed the same
  - 15.8% Decreased
  - 12.6% Increased
  
- In 2009, the availability of qualified licensees:
  - 45.9% Decreased
  - 42.6% Stayed the same
  - 11.4% Increased
  
- Performance against goal in 2009 on new deals:
  - 50.8% Below goal
  - 30.5% At goal
  - 18.6% Above goal
  
- Performance against goal in 2009 on existing deals:
  - 63.4% Below goal
  - 26.9% At goal
  - 9.5% Above goal
  
- As it relates to geographic focus, what percentage of your business is in North America versus international?
  - 71.8% 76%-100% North American generated revenue
  - 20.3% 51%-75% North American generated revenue
  - 6.2% 26%-50% North American generated revenue
  - 1.5% Less than 25% North American generated revenue
  
- In 2009, did geographic focus for opportunities OUTSIDE North America:
  - 50.7% Stay the same
  - 44.4% Increase
  - 4.7% Decrease