

Licensing stays strong

According to The Licensing Letter/EPM Communications, corporate trademarks and brands licensed into the food and beverage products generated \$6.59 billion in retail sales in 2009, a 2.4% drop from 2008, but the smallest drop of any corporate brand licensing segment tracked. While this study is the most accurate study available, IMC Licensing maintains that if the study were to capture all of the entertainment and other brands that license into the food and beverage sector, it would reflect overall licensed food and beverage sales over \$12 billion in retail sales.

It's not easy earning green

But it may be a little easier for licensed food products to succeed. The failure rate of new consumer products is a staggering 95% according to Harvard Business Review. While no statistics are available specifically for licensed food and beverage products, an informal survey of activity in this space shows significantly better results for licensed product introductions. To help set the context of how one might define success, less than 3% of new products achieve "mega hit status" or over \$50 million in year one sales according to IRI's New Product Pacesetters report. To further adjust expectations, they report about 80% of new product launches achieve less than \$7.5 million in year one sales.

Interestingly for licensing opportunities, about 93% of food and beverage New Product Pacesetters were brand extensions versus new brand introductions. Oftentimes these are organic extensions by the brand owner themselves like Campbell's Select Harvest Soup, but these extensions are also where licensing in or out can play a role. As IMC Licensing reported in a previous annual report, Gatorade licensed Tiger Woods for the Tiger Focus drink which then disappeared from shelves when revelations about Tiger's exploits appeared last year. In this article, however, we will provide many different examples of brands using licensing to reach into new, relevant product categories.

With 46% of consumers saying they are trying fewer products in these economic times, brand extension products have outperformed new brand introductions. Consumers want to spend their hard

earned dollars on brands they can trust. Leveraging an existing brand into an adjacent product category can give the brand owner, licensee and consumer a greater sense of comfort that the product will deliver a promise that will return value to all parties.

In but not out

According to NPD Group, the restaurant industry is in the midst of a steep decline with 57% of consumers reporting that they are spending less on dining out. As a result, restaurants are being proactive about licensing their brands to capture a share of stomach for their brand regardless of where the food is consumed. Some companies like Heinz with its Boston Market and TGI Fridays licenses have been doing this for over a decade, while others are just taking notice of the potential for licensing. It can be tough to get franchisees comfortable with this concept, but more and more are.

Anecdotally, I can say we've received more calls in the past year and a half from restaurant brands looking to get into food and beverage licensing than in the entire prior decade.

Many of these new product introductions follow other key trends in the food and beverage space like the rise of ethnic cuisine. Unilever has licensed PF Chang's for a line of frozen entrees. The line currently includes eight items, many of which you can find in any PF Chang location, while others seem to be based on flavors inspired by the restaurant.

Good for you

Another key trend is health and wellness. Restaurant brands, among others, have staked their reputation on better-for-you offerings and are leveraging their brands into retail while creating a lot of buzz. Brands like Jamba Juice, which has a relatively small footprint of its own storefronts, will likely have its first touch point with many consumers through licensed products. Inventure Foods is launching Jamba Smoothies, a make-at-home product that will replicate some of their favorite flavors, and Oregon Ice Cream is launching a line of frozen novelties.

A number of other brands are seizing this trend to offer consumers new products. In a move that might be so

logical it appears seamless to consumers, Sunkist has licensed into dried fruit via licensee Titan Foods, Dole has relaunched its frozen fruit bar business via licensee Target Foods and Chiquita lovers can now pick up Chiquita Banana Bread Mix in the produce section or Chiquita Smoothie mix in the freezer case.

Functional foods are also poised to do well in licensing given the added health benefits they bring to the table. We anticipate we will see more activity where proprietary enzymes, formulations and ingredients will be leveraged as HP Hood has done to launch Lactaid Milk and Fiber One Cottage Cheese or how Smart Balance has licensed Nutrition Industries for heart-healthy Smart Balance Milk.

Healthy pressure

We've seen an increase in awareness around this area of health and wellness particularly with the efforts of First Lady Michelle Obama to curb childhood obesity. Much like we saw pressure mount a few decades ago against the tobacco industry, pressure is mounting against food manufacturers to make better decisions about product ingredients, nutritional profiles and marketing efforts.

The Center for Science in the Public Interest has set the guidelines for responsible marketing to children, which dictate that 100% of advertising targeting kids under 12 must be for better-for-you products and must encourage healthy lifestyles. While a just a few years ago we





were fielding calls from candy and snack food manufacturers looking for brands to target children, manufacturers are increasingly more restrictive about what products they license

lest they become a target for contributing to the obesity problem with America's youth.

For brands, the health and wellness trend isn't just a public relations play in the US. Many of these licensors are looking across the pond for opportunities to position themselves as responsible marketers. While the Disney Magic Selections program failed at Kroger in the US, it didn't stop the world's largest licensor from taking a similar program to Carrefour in Europe. Likewise, Warner Brothers Consumer Products is launching a similar program with Systeme U in France.

Conclusion

Despite the economy and the ever-changing landscape of the industry, we are very encouraged by the opportunities for growth. By posting the smallest dip in sales during the worst recession in decades, IMC Licensing believes food

and beverage licensing is poised to grow at 10% per year over the coming five years. This bodes particularly well for the top tier brands in the near term and we believe that less proven brands will have opportunities as manufacturers and retailers get more comfortable with taking risks. ■

The author, Cara K. Bernosky is President & Co-Founder, IMC Licensing. At IMC Licensing, Cara is responsible for managing the day-to-day operations of the organization. Since co-founding IMC Licensing 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.

CSPI may sue McDonald's for using toys to market junk food to children

A nutrition watchdog group will sue McDonald's if the fast-food chain continues to use toys to promote Happy Meals. According to the nonprofit Center for Science in the Public Interest, using toys to lure small children into McDonald's is unfair and deceptive marketing and is illegal under various state consumer protection laws. CSPI has served McDonald's a notice of its intent to sue, fulfilling a legal requirement of several states in which CSPI might bring the lawsuit.

McDonald's is currently offering children toys related to Dreamworks' latest Shrek movie. While Shrek may appear on packaging for low-fat milk and Apple Dippers, when children or parents order Happy Meals they are given French fries 93 percent of the time, according to a CSPI study.

In 2007, McDonald's made a pledge to an industry-funded self-regulatory group not to advertise to children meals that have more than 600 calories and no more than certain percentages of fat and sugar. Thus, the brief glimpses of actual food in McDonald's youth-directed advertising, show Apple Dippers and low-fat milk as part of either a 4-piece Chicken McNuggets Happy Meal or a Hamburger Happy Meal. But toys, a powerful temptation for kids, are included with all Happy Meals, regardless of nutrition.



Of the 24 possible Happy Meal combinations that McDonald's describes on its web site, all exceed 430 calories (430 is one-third of the 1,300 calorie recommended daily intake for children 4 to 8 years old) according to the CSPI. A Happy Meal of a cheeseburger, French fries, and Sprite has half a day's calories and saturated fat (640 and 7 grams, respectively), about 940 milligrams of sodium, and about two days' worth of sugar (35 grams). And even that meal might have come with a toy related to Star Wars, iCarly, How to Train Your Dragon, Night at the Museum, or, of course, Shrek. Getting children accustomed to eating burgers, fries, and soda puts them at greater risk of developing obesity, diabetes, or other diet-related diseases over the course of their lifetimes, according to CSPI.

"But regardless of the nutritional quality of what's being sold, the practice of tempting kids with toys is inherently deceptive," said CSPI executive director Michael F. Jacobson. "I'm sure that industry's defenders will blame parents for not saying 'no' to their children. Parents do bear much of the responsibility, but multi-billion-dollar corporations make parents' job nearly impossible by giving away toys and bombarding kids with slick advertising."

"We know from scientific research that young children and even older ones do not have the ability to understand how marketing has been designed to influence them," said Kathryn Montgomery, professor of communication at American University and an expert on media and children. "In the era of digital marketing, these vulnerabilities are magnified even further. McDonald's use of these techniques raises troubling questions, for health professionals, parents, and policy makers."

The practice of using toy promotions to promote fast-food to children is under scrutiny elsewhere, too. In May, the Santa Clara County, Calif., Board of Supervisors passed an ordinance preventing McDonald's and other restaurants from including toys or other kid-oriented incentives with the purchase of unhealthy meals. And the Federal Trade Commission may have something to say about toy promotions when it releases a set of voluntary standards for food marketers later this year. According to a 2008 report from the FTC, food companies spend more than \$350 million on toy giveaways each year.

CSPI's litigation unit has taken on food marketing to children before. In 2006, CSPI notified Kellogg that it would be sued for marketing sugary cereals and other junk food directly to children. After negotiating for more than a year, CSPI and Kellogg reached a historic settlement agreement that set nutrition standards for the foods the company may advertise on media with young audiences. Since then, Kellogg only advertises to young audiences if a serving of the food has no more than 200 calories, zero grams of trans fat and no more than 2 grams of saturated fat, no more than 230 milligrams of sodium, and no more than 12 grams of sugar. In previous fast-food litigation, CSPI sued KFC for using partially hydrogenated oil, which made KFC's chicken very high in trans fat. CSPI dropped that lawsuit when the company agreed to phase out partially hydrogenated oils. KFC chicken is now trans-fat-free. This is the first time that CSPI has planned to take McDonald's to court.