



IMC Licensing: 2007 Food Licensing Report

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IMC Licensing represents more food and beverage companies, and has done more food and beverage licensing deals, than any other firm in the country. This article represents a snapshot of our annual update on the "State of the Food Licensing Industry" in 2007.

Food licensing – a term we use to mean any food or beverage product that features a licensed brand or trademark – generates at least \$15-20 billion in retail sales each year. While year-to-year growth (as for the licensing industry in general) is difficult to measure, we believe food licensing represents the single largest segment of the licensing industry – and one of growing importance to manufacturers and retailers of food products, and to the owners of food and beverage brands.

Food Licensing: Where?

Food licensing is so common that in many cases consumers probably fail to recognize it, and don't appreciate the difference between a brand's core products and those it licenses. Can you guess which of the following two deals was licensed?

Snapple® herbal tea bags – bagged tea that lets you brew the great flavor of Snapple teas at home. Snapple does not make this product itself but licenses the right to a third-party manufacturer.

Planters® peanut oil – although Planters itself sells peanut oil in smaller sizes, it has licensed the right to manufacture Planters peanut oil in sizes larger than 64 oz.. – although consumers would never know the difference.

Food Licensing: How?

At IMC Licensing, we identify 4 primary categories of food licensing:

Flavor/ingredient branding or co-branding – where a food brand's unique flavor attributes give a licensed product meaning. In the fast-growing jerky and meat snack category, a recent success was the 2006 launch of Jack Link's meat snacks flavored with A.1 Steak Sauce. Sunkist Growers generates over \$1 billion in retail sales of their licensed products based on the brand's orange and fruit-Flavored equities, and Hershey and M&M's/Masterfoods support about \$250 million each year in similar programs.

Branding – where attributes other than a brand's flavor give the new product meaning. A 2006 new product in this category is Budweiser Wing Sauce. In one of this category's great success stories, Anchor Foods used its TGIFriday's license for frozen appetizers to grow from a \$50 million to a \$500 million company before Heinz purchased the company in 2001.

Celebrity licensing – where a well-known personality adds his face and reputation to new food products. The most successful and longest-lasting examples in this category rely on celebrity chefs. Emeril's line of marinades and sauces sold nearly \$50 million in high-priced, specialty food categories in 2006.





Entertainment licensing – where popular entertainment properties attract consumers to food products bearing their image. Since many of these are connected with the launch of new films, they are rarely expected to have long shelf-lives, but there are exceptions when the brand itself has a long life with children or moviegoers. A dominant example of the latter is Dora the Explorer, an entertainment property featured in dozens of food categories, which has generated more than \$5 billion in retail sales through 2006

Food Licensing: Trends 2007

In 2007, we have identified several major trends dominating the food licensing industry.

Health & Wellness. This category is fast-growing everywhere, including food licensing. The biggest recent success is Kraft's South Beach Diet line of food programs, produced under license from the founder of this popular diet program. According to IRI, Kraft Foods' South Beach multi-category line was the #1 new food and beverage line introduced in 2005 and 2006. Another recent example: Smithfield Food launched a line of Subway-branded deli meats and cheeses, building on the popular sandwich shop's famous diet and reputation for serving fresh and healthy products.

Disney. 2006 brought a new approach to food licensing from this licensing giant, which generates over \$23 billion a year in retail sales across all categories. Disney launched a new licensing program with Kroger, the nation's #1 food retailer, to develop hundreds of new products under the "Disney Magic Selections" name. Those products will include everything from branded apple slices to hamburger patties. Disney also launched a new licensed cereal program with General Mills, allowing General Mills to launch Disney-branded products (like "Disney's Mickey Mouse Clubhouse Berry Crunch" - not co-branded with other General Mills brands) at value pricing – something Disney had always rejected. Disney has struggled to find the right fit for its brands in food licensing, and these partnerships may answer the question whether consumers can view "Mickey Mouse" food products as the real thing.

NASCAR. Everyone knows NASCAR is a huge brand, but few think of it as a huge consumer product brand. Yet NASCAR generates more than \$2 billion in licensed retail sales every year – it is a bigger brand at retail than Gatorade or Kleenex. An increasing amount of those retail sales come from food products – frozen burgers, chicken wings, OREO cookies, and Kellogg's co-branded cereals, to name a few. Licensees report an every-increasing appetite for NASCAR-branded products, at breakfast, lunch and dinner.

Licensing-Dependent Categories. Certain categories depend on licensing more than others to communicate new features and benefits to consumers, and so are always reflecting new trends. Those categories include frozen novelties (a leading new product in 2006 was the Lifesavers Popsicle); meat snacks and jerky (even Harley-Davidson launched a product with Conagra in 2006); flavored milk (Ben & Jerry's launched a clever new line of licensed milkshakes in familiar ice cream flavors); and barbecue sauces and marinades (many would like to copy Heinz's success with its line of Jack Daniel's sauces).





Celebrities. This category is growing in activity. In the last two months alone, Costco announced a partnership with Martha Stewart for a line of fresh, refrigerated and frozen foods, and General Mills expanded a partnership with “Molto” Mario Batali to include a line of branded pasta dinners. As with any celebrity licensing, individuals have the ability to diminish the value of their own brands overnight, which poses a unique risk in this category; retailers could not pull foods licensed with Don Imus’ name quickly enough when the shock jock’s reputation went downhill this spring. Critics have correctly noted that long-term successes in this category (like Paul Newman’s) are rare, but expect to see more developments in this category as others hope to achieve what Martha Stewart’s CEO called her brand’s “greatest untapped opportunity.”

Food Licensing: Looking Ahead

Food licensing remains an under-recognized but giant field within the food industry at large. While almost all major food retailers and food companies engage in food licensing, they do so in vastly different manners and degrees. At IMC Licensing, we hope that the next few years brings us better ways to evaluate the actual scale and impact of food licensing, which will in turn allow food companies the ability to apply more uniform best practices to this work. We believe that better measurement tools will confirm that food licensing is an even bigger business than previously recognized, and we believe that food licensing will keep growing at rate of us to 10% per year over the next five years. There will always be some risk associated with licensing, but properly valuing its benefits will make it easier for manufacturers and retailers to evaluate and choose the right opportunities for them.

