



2009 Annual Food Licensing Report

by - Cara Bernosky, President & Co-Founder

IMC Licensing represents more food and beverage brands and has done more food and beverage licensing deals than any other agency in the country. This 2009 report represents our annual overview of the activity in the food and beverage licensing sector.

According to The Licensing Letter/EPM Communications, corporate trademarks and brands licensed into food and beverage products generated \$7.34 billion in retail sales in 2008. While we believe this to be the most accurate study available, we maintain if the study were to capture all of the entertainment and other brands licensed into the food and beverage sector, it would reflect a number nearly twice as large.

Oh these economic times...

It's impossible to give an annual report about anything these days and not address the real challenges this economy is placing on nearly every industry. In licensing, the good news for food and beverage licensing is that while it is down, it is not as down *as much* as many other sectors of licensing. The Licensing Letter/EPM Communications reports a 10% decrease in food and beverage licensing while many other sectors like toys and games and domestics are posting declines of 20% and 17% respectively.

The reason? Even in a recession, people eat. Moreover, in-home consumption is on the rise as people cut back on dining out. According to a study by Mintel, convenient home meals are up 5%; with home-brewing in and Starbucks out, retail coffee saw a 6% increase. With more people brown-bagging their lunches, jellies, jams, and peanut butter (even after the impact of the salmonella scare) were up 7.5%.

However, even with some of these positive signs for food and beverage, retail is still down overall which means manufacturers are proceeding cautiously with any new products. We see more deals being structured with smaller or staged advances at key performance hurdles to reduce licensee risk and encourage sense of partnership among all parties as a new program seeks traction.

So while some deals may be structured a little differently these days and they are quite as abundant, that certainly doesn't mean that deals aren't being done. In this report we will highlight a few of the segments with the most interesting activity to note.

Produce

As we reported last year, Disney, Dora and other entertainment properties continue to infiltrate this segment. With the shift away from the unhealthy licensed food products of years past, entertainment properties are moving en masse to produce and other better-for-you offerings with no sign of abating. Disney, the world's largest licensor, reports it expects double digit growth from its food licensing initiatives this year alone from both domestic and international licensing efforts. While the health and wellness initiatives are well underway stateside, Mickey Mouse is showing up on everything from squeezable ice cream and cookies, to liverwurst and lunchmeat.





Refrigerated/Frozen

Just in time for summer grilling, Sara Lee has introduced Hillshire Farm Miller High Life Beer Brats. The line of brats are pre-cooked in Miller Beer and bring together the great taste of brats and beer in a different type of six-pack.

In the category of "That makes perfect sense!", the Crystal Light brand has been extended via licensee Matterhorn Group to Crystal Light Freezer Pops. The same great flavors that have been refreshing consumers in liquid form are now available as on-the-go frozen novelties and are available nationally through retailers like Wal-Mart, Kroger and Giant Eagle.



Other news in the frozen section is the shift of the Starbucks ice cream program from a joint venture with Dreyer's to a licensing agreement with Unilever, a notable shift in deal structure for the once high-flying brand. Starbucks has also pledged to grow its franchise with consumers with this relaunch; its first step is approving flavors (like Caramel Macchiato and Mocha Frappuccino) that are more in line with Starbucks' own beverages.



While not on the shelves in the US, the sighting of this product in Germany is just too hard to resist mentioning. Obama-mania has clearly swept the world when his likeness appears on a product called Obama Fingers. We know our President has all of his digits, so to be clear, the product is a line of fried chicken fingers with a side of curry dipping sauce. Apparently the German food company was unaware that the product could be seen as racially insensitive towards our first African American President.

Wine & Spirits

Is there any product Ed Hardy hasn't licensed? The Christian Audigier licensing machine has churned out over 75 different licensed product categories including the seemingly mismatched category of wine. The wine is bottled in France by the Castel Group and imported by Nicolas Wines in Connecticut. While a tattoo brand doesn't strike us as the best pairing for a fine wine, it proves that no category is too great a stretch for this audacious businessman. Perhaps he is onto something. A category is always looking to assimilate new users and this is certainly a way to appeal to a demographic that might not otherwise wish to make the leap.

Adding a kick to the spirits category, Heaven Hill Distilleries has introduced TABASCO brand Spicy Tequila. A drink called the Prairie Fire has long combined Tequila with TABASCO pepper sauce, so now consumers – at least those who don't have a mild palate– can get a real jolt with this product.

Another soon to be entrant into the Tequila category is Justin Timberlake with his 901 Tequila named after the area code for his home town of Memphis. AsomBroso Tequila Company is behind the venture which is supposed to release product to select markets very soon.





Conclusion

Despite the less than stellar economy, we see brand licensing having an ever-growing role in the food and beverage sector. More and more brands are tapping into the elasticity of their brands via licensing to communicate flavor and other benefits to adjacent product categories while satisfying consumers and retailers with excitement on shelf. Particularly in a time when consumers want to spend their hard earned dollars on product they feel confident will deliver value, licensing will play a role delivering that reassurance.

