

The Good, The Bad And The Ugly

Licensing is like sex. With good sex, all the effort leads to deep satisfaction with both sides enjoying the moment. Bad sex leaves one side feeling dominant and the other feeling cheap, dirty and used! Ugly sex, on the other hand, leaves both sides mystified as to why it happened with neither party wanting to talk about it any more.

Adam Bass, director of brand consultancy Golden Goose acts as 'sex therapist' to the licensing fraternity!



While there are plenty of guides to sex, there aren't that many devoted to licensing. In fact in the guides to marketing and branding I've come across there's usually several chapters about brand extension but rarely more than a cursory paragraph or two about licensing as a way of executing a brand extension. Licensing (in the brands field anyway) generally seems to be considered by marketing gurus as either a low-key, unimportant activity or a dirty little secret.

Perhaps the reason for this poor coverage is that licensing is often seen as peripheral activity that generates incremental income off the back of the main brand activity. Certainly the relationship between licensing and the brand can be very one-

sided. For example, the next time you see an Aston Martin speeding down the motorway imagine the millions of die-cast miniatures following in its wake. It's the £multi-millions ploughed into the James Bond tie-up that power the brand, not the tiny engineless imitations – despite the £1 million a year in royalties they generate.

Sometimes a licensee helps a brand to

punch above its weight. George Foreman was only ever known as the former world heavyweight champion beaten by Ali until he became a powerful home cooking brand, thanks to Salton Europe's launch of its 'Lean, Mean, Grilling'; selling machine. Having surprised the company by selling far more of the machines than it probably expected; it

Above: It goes without saying that a 'cowboy job' of licensing between licensee and licensor does not constitute a happy marriage.
Below: Adam Bass, a man who knows the value of 'good sex' where licensing is concerned!



The Bass Line

Below: The Marmite Guinness tie-up was a non brainer – two solid brands which were confident in what they were bringing to the licensing party was of equal value.

eventually became cheaper for Salton to acquire the rights to George's name for \$113 million in stock and cash than pay the 60% share of profits that it had previously negotiated.

Stretching this analogy about as far as it will go without a visit from the Vice Squad, the role of the licensing agency is that of a relationship counsellor and

Good Licensing

After the launch of Guinness whole grain bread with Irwin's bakery in 2006, David Berry from Guinness' parent company Diageo said: "We have been keen for some time to harness the qualities and taste of Guinness into suitable food products for the commercial retail market."

"Bread was a natural starting point for us but of course finding the appropriate partner was the crux - the Guinness brand is absolutely cherished and safeguarded across the globe and this is because we do not compromise on its quality or presentation. After much research we confirmed Irwin's as our ideal partner because of its own respected reputation, baking expertise and crucially its innovation capabilities."

Clearly Guinness takes its licensing seriously and having succeeded with bread, started to think bigger. When a brand is fearless and faithful to its true brand values, licensing becomes a powerful way to hit the headlines. This year's alliance between marketing heavyweights Guinness and Marmite produced one of the most talked about and well timed new products of the decade. The limited edition Guinness flavoured Marmite sold some 200,000 jars in just two weeks and a Unilever spokesman admitted: "We are really struggling to keep the stores in stock with response coming from as far as field as Israel, the US and Australia. Even now jars are selling on Ebay for several times their retail price."

No wonder then that this great example of brand licensing has reached the finals in this year's Licensing Awards in the Best Food or Drink category.

Guinness has several strands to its licensing programme

encompassing licensing out its classic advertising onto metal and paper products, licensing just the logo onto collectable merchandise (exemplary of which is the Enesco range), and licensing out the product as an ingredient into retail ready food. This intelligent, multi-disciplinary use of the brand's assets shows a very confident understanding of licensing and how to use it to increase brand exposure and equity and, judging by the success of the Dublin shop, the royalties probably



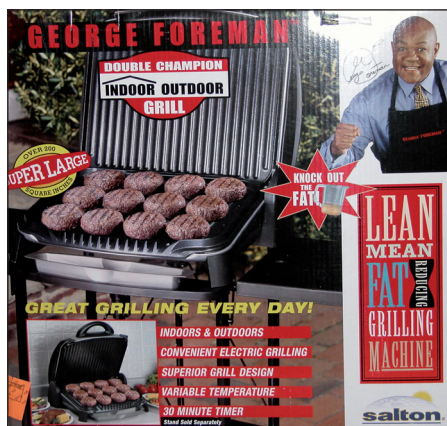
Bad Licensing

One CEO I met recently said 'If I'm going to let someone damage my brand, then the royalty had better be very high.' This approach to licensing produces the kind of results that can give licensed products a bad name. While it's true that not all licensing deals are done for the greater good of the brand the 'wham-bam-thank-you-man' school of licensing tends to lead to some conversations where it's important to know how to read between the lines.

ultimately nanny rather than the third person in the bed. If you have a single friend who expects Elle McPherson to swoon as he walks past you'll appreciate the importance of holding up a mirror and tactfully reflecting unreasonable expectations - a licensing agency's role is not dissimilar.

As in the art of seduction, the key to a successful licensing programme is in the preparation – the fore play! This means understanding what your brand's key assets of attraction are and smoothing the path to a healthy relationship by eliminating any future obstacles such as legal deal breakers, excessive minimum guarantees, and impossible approval processes.

Below: Salton Europe's tie up with George Foreman for The Mean Lean Grilling Machine has proved such a successful licensing coupling.



Lost In Translation Examples:

✦ **Licensor:** "We monitor and support our licensees very closely to ensure that you benefit from a co-ordinated approach."

✦ **Real meaning:** "Once we have your royalty cheque, we'll send you the logo and you'll hear from us again when you owe us money."

✦ **Licensor:** "Of course I'll invest in marketing and ensure the product quality is high."

✦ **Real meaning:** "Here's a large advance, I'm now going to apply your logo to a product that I have in stock, and sell it through my wholesalers."



Above: As these three advertisements show, the suggestion of sex can pep up a brand's reputation!
Below: The Guinness brand transcends age barriers and so can be used to target different audiences such as through fashion apparel for the trendy drinkers.

The challenge for a brand that makes 98% of its revenue from one thing and 0.5% from licensing is how to support licensees without confusing consumers about the brand's priorities and direction. While Chupa Chups has a beautiful website dedicated to a vast range of licensed products, from perfume to jewellery to bedding, crash helmets and watches; these products are all marketed separately from the main product's website in its own 'Chupa Chups Universe'.

It would be easy for Chupa Chups to offer an on-line shop and sell the merchandise alongside its candy, but listing them under licensed products suggests that the company is

keener to maintain a degree of separation. The brand was sold in 2006 for £275 million, partly due to overexpansion into 170 countries as it aimed to be the 'Coca Cola of lollipops'.

While it's clearly an exaggeration to use the licensing strategy to explain the sale, perhaps rather than spreading itself over perfume and bedding the brand should have taken fewer, higher profile licensing opportunities - like the Japanese mobile phone charms - and made sure its core brand values were attached to every product that bears its name.

Ugly Licensing

The main cause of ugly licensing is short-term thinking applied to long-term opportunities. This is definitely true when it comes to the licensing agreement itself where a compromise can come back to haunt either side.

One major food brand I know was so keen to do a deal that it negotiated a tiny percentage with no repeat clause, no advance and no guarantees - the brandowner just didn't expect the product to be a runaway success. It was only at the point of renewal three years later that the chance to renegotiate the royalty came and, unfortunately went along with the highly successful product, because the retailer and the licensee weren't prepared to swallow the loss of margin.

By far the biggest risk to brands when licensing is not that the product will be a small forgettable failure - in fact consumers will accept failure as an attempt to please them that didn't work. No, the biggest risk is for a very high profile success that is so far off the brand values that it changes consumer perceptions for the worse.

The Climatic Conclusion

Like any healthy sexual relationship, licensing essentially only works if everybody wins. The winning is a virtuous circle starting with the consumer who receives value for a product they buy from the retailer who takes their margin and pays the licensee who takes a profit and pays a royalty to the brand owner who puts more money into making the brand valuable for the consumer.

When it works licensing can create some unlikely bedfellows with fierce competitors in some markets working together on a shared brand.

In the afterglow of good licensing competitive differences are overlooked, and all sides snuggle up and contemplate the deepening of the relationship and the



potential for expanding the family of products. Now if you'll excuse me I'm off for a cigarette!

Adam Bass is the Director of Brand Licensing Consultancy, Golden Goose.

www.goldengoose.uk.com