11 Chapel Place,
London EC2A 3DQ
T +44 (0)20 7256 1001
@goldenlicensing
www.goldengoose.uk.com

If you are the licensing agency summoned to a corporate HQ to talk about how licensing can extend a European Masterbrand into new categories, maintain trademark registrations, block competition, fill holes in the product/territory portfolio and generate revenue; prepare yourself for the Herculean task of regional exhibitions, multilingual stakeholders, differing brand positioning and punishing travel arrangements. When you land in yet another new country for a 3 day trade show, don't forget to say to yourself:

Ich Bin Ein Brand Licenser

December-2014

OK, so it's day one and, congratulations, you've been appointed to lead the licensing charge for a pan-European Masterbrand. How do you prepare? What should you look out for? What are the key terms to negotiate? What are the key markets? What are the best case studies? Why are there so many questions and so few answers?

Preparation

As with any licensing programme, preparation is important but pan-European licensing requires even greater preparation. This should include at the very least

- Brand footprint: map of the marketing and sales by territory
- Licensee support: understanding of the level of support licensees should expect
- Category Approval: target categories that best fit the brand with CEO level buy-in

Finally, and most critically, the brandowner must decide how it will allocate royalty generated across the territory. Will each local marketing team receive a share of the royalty generated in their region? Will a percentage of royalties be put into a central marketing pot to be shared out equally? Or will the HQ just keep all the revenue themselves? This structure has a critical impact on the licensing programme: local partners will be unlikely to support any licensees if they feel resentful and uninvolved and a lack of local buy-in can lead to internal, consumer and retailer confusion.
So having developed a clear understanding of the brand's local and regional resonance, identified the target categories, defined the support and structured the revenue split, you're ready to go licensing.

The big 5

According to Datamonitor the big five territories - UK, France, Germany, Spain and Italy – constitute 50% of total EMEA consumer spending, (appox €5.3Trn out of €10.75 Trn) – so, whilst you may have a fantastic Lithuanian widget maker, your pursuit of "Fewer Bigger Better", probably needs to start with an organisation that can deliver in these key markets.

The ideal pan-European licensing partner has strong distribution across the five key territories and is missing a pan-European brand from its portfolio. Easier to describe than find, these licensees are often hidden in plain sight: distributing local hero brands in multiple regions but missing the key ingredient of a centralised brand structure.

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Before you launch into a massive big brand sales pitch, be aware that a successful approach should focus on the potential benefit to the licensee (will this opportunity deliver growth in sales and open new markets?) because you will need every last inch of commercial and strategic fit, to get everyone through the pain of two large multinationals conjoining to approve contracts and products.

Key terms to negotiate

When granting multiple territories a territory by territory target will be important, so that you can claw back any underperforming territories from the contract. As royalty numbers become significant the royalty rate will come under significant scrutiny, as will minimum guarantees. Don't be put off by the 'licensee's lament' about set up costs and difficulty sourcing distribution. Without minimum guarantees no forecast is worth the spreadsheet it's entered into. Be sure to put processes in place to find the best licensee in class, rather than the first one to show interest, because there's nothing worse than finding a new partner at the death, having already promised the category to the most enthusiastic respondent.

Conclusion

Licensing, particularly corporate brand licensing, is a long, slow learning curve. Once you've done your first deal you'll realise three years later what you should have done, and three years after that you'll realise what you could have done to fix things. If your brand is sufficiently valuable it should attract sufficient interest that licensees will approach you, allowing you to maintain a small team and work reactively.
Proactive licensing, however, requires careful preparation to ensure that time is not wasted seeking category approval once a licensee has been approached and expressed an interest. This preparation should include category identification and internal approval, clear licensee support and a developed structure for operational and financial economies of scale.

With the preparation complete and potential licensees lined up to develop licensed products, the European market will open up to your brand creating sizeable royalty opportunities. Whilst it's tempting for brands to focus on the revenue, the most important thing to remember is the added value licensing can offer by reaching out to new consumers in new markets. Where licensed products are well aligned with the brand, selling well and joint marketing opportunities are properly exploited, the licensing programme offers unlimited scalability with minimal resource – helping to deliver the original dream of a brand that crosses borders to reach the whole European community.

Adam Bass is the Director of Golden Goose brand licensing consultancy.
Adam@goldengoose.uk.com