When you purchase a Black & Decker toaster oven, a Westinghouse air conditioner, a quart of Hershey’s chocolate milk, a can of Sunkist orange soda, a P.F. Chang’s frozen meal, a Mr. Clean broom, or an AT&T landline phone, you are purchasing a licensed product. Sure, we all know that we are buying licensed products when we purchase a New York Yankees T-shirt or a Star Wars toy light saber or a John Deere toy truck or a U.S. Army wallet, but a true licensed brand extension is seamless in the eyes of consumers. From consumers’ perspectives, the origin of the product is the brand itself; without looking closely at the labeling or packaging, consumers generally don’t realize that the product actually comes from another source authorized by the brand to manufacture, market, and distribute the product, all subject to the brand owner’s approval. Walk down the aisle of a Kroger, Target, Macy’s, Lowe’s, CVS, or Costco or scroll through Amazon or other brick-and-mortar or online retailers and see if you can discern which branded products are licensed and which are the core products coming from the brand owner itself. If brand licensing has been done correctly (and you will know what that means when you finish reading this book), you will not be able to separate the core products from the licensed products. And, importantly, as you will also learn, those licensed products are delivering a brand message and motivating the consumer to further participate with the brand. Licensing contributes, supports, and strengthens the “sticky” relationship that brands seek with consumers.
The Power of Licensing

With regard to corporate brands using licensing, many marketers think of licensing as logo decoration on products, what is not surprisingly called “decorative licensing.” You may have a Caterpillar baseball style hat in your closet or a McDonald’s ceramic mug in your kitchen cabinet or a sweatshirt in your dresser drawer emblazoned with the blue oval logo of the Ford Motor Company. Sometimes the decoration goes a bit further with creative designs incorporating the brand trademark. Perhaps that Ford sweatshirt also features images of vintage automobiles or a Pepsi Cola notebook includes fun pop art images from past advertising campaigns (or even newly created artwork). Decorative licensing with corporate trademarks has been around a long time and is increasingly common. And there’s nothing wrong with that kind of licensing. It helps promote the brand. It helps consumers identify with brands they enjoy. It creates a consumer connection to the brand.

But “brand extension licensing” represents a different approach to this marketing discipline, and that is the focus of this book. It’s about that Black & Decker toaster oven. It’s about products that are so closely aligned with the core product that consumers perceive the connection between the licensed product and core product as seamless.

Companies with famous (and some not-so-famous) brands use licensing for many purposes:

- Achieve overall brand and corporate goals and objectives
- Build brand awareness, affection, loyalty, and penetration
- Create new consumer touchpoints, engagement, and brand experiences
- Reach a new demographic or, simply, more consumers
- Reinforce or redefine, and communicate a brand message
- Drive incremental revenue through royalties
- Motivate and inspire consumers to purchase more of the core product
Introduction

That last point is critical. It is at the heart of what marketing is ultimately all about—creating sales; driving consumers to a purchase, the last step in the shopping journey. Licensing has all of the attributes and objectives of any marketing/communications tool. In fact, that’s what licensing is, a marketing and communications tool focused on recruiting, retaining, and further bonding consumers to a brand.

Why and how companies use that tool—and how you can capitalize on their experiences—is what this book is about. Indeed, for many sophisticated consumer product companies, brand licensing is now an important part of an integrated marketing strategy that can include disciplines such as advertising, public relations, product placement, packaging, point of purchase, social media, direct mail, experiential marketing, co-marketing and collaborations, and sponsorships, as well as other marketing tools. And licensing is also part of the consumer shopping journey (a journey that is getting increasingly complex in our connected world), which makes it integral to a brand’s marketing and retail strategy, both online and offline retail.

Corporations, entertainment properties, food companies, sports leagues, artists, fashion designers, celebrities, and personalities all participate in licensing. Although licensing is actually a legal act—it is the contractual permission to use a name, a slogan, a logo, a likeness, a character (i.e., an intellectual property) in conjunction with a product or service for a prescribed period of time, in exchange for a payment in the form of royalties or fees—the reasons for its use are much broader than simply granting rights to use intellectual property. Specifically, for brands, it’s about connecting and engaging with the consumer. It’s about touching and communicating with the consumer along the way in the shopping journey (something that will be discussed in greater detail in Chapters 11 and 12). Brand licensing as a tool to solidify consumer brand engagement and connectivity. In a world where consumers, particularly younger consumers, have
short attention spans and jump very quickly from one connection to the next, brand licensing can play a very effective role.

This is not a book about entertainment licensing (e.g., motion pictures, television programs, and characters). It’s not a book about sports licensing programs (e.g., MLB, the NFL, and the NBA) or fashion licensing programs. But that’s not to say that sports, entertainment, and other types of properties cannot become brands. Certainly, the New York Yankees, the New England Patriots, Disney’s *Frozen*, and the Teenage Mutant Ninja Turtles, among many others, are all brands and are very successful in their licensing activities. And many of these organizations are extremely professional and creative, utilizing the very best practices and committing significant resources with regard to licensing (e.g., NBA Properties and Disney Consumer Products). But their licensing objectives are different from those of corporate brands. It’s less about marketing and more about ubiquity, serving fan identity, and revenue. The chapter on celebrity licensing (Chapter 8) has been included as a vehicle to discuss how some celebrities become brands through licensing. Most important, this book is not a step-by-step manual for creating or negotiating a license agreement or a licensing program, although several chapters will explain what brand owners must do to plan, develop, and manage a licensing program as well as mitigate the risks (Chapters 4, 5, and 6). Many good technical books exist on these subjects and can provide brand owners with negotiation strategies and license and other related agreement templates.¹ But by reading the case studies and examples and understanding why and how others have used licensing effectively, you will grasp the licensing path for any brand, including sports and entertainment brands.

Trademark licensing has been around for more than 100 years (see Chapter 2), but true brand extension licensing is a relative

¹ Sample merchandise license agreements (as well as other sample agreements between brand owners and licensing agencies and for manufacturer representatives) are available to all members of LIMA (the licensing industry trade association) on the LIMA website, www.licensing.org.
newcomer to the marketing mix. In recent years, due to a variety of factors that you will learn about in subsequent chapters, it has taken on even more importance and has been embraced by an ever-growing list of iconic brands and brand owners. From Procter & Gamble (P&G) to Stanley Black & Decker, from The Coca-Cola Company to Energizer, from Caterpillar to Harley-Davidson to BMW, licensing has been used (and is being used) as a highly effective marketing/communications discipline. We live in a time of transformative and accelerating change in how consumers get information and access brands and products, as well as how, where, why, and when they do their purchasing (see Chapter 11). Given all of the paths to consumer engagement and to making a purchase, licensing has taken on an even greater importance today. You will learn the significant role that brand licensing can play in this new world order. And you will learn about the challenges and opportunities presented by licensing and what it takes to develop a world-class licensing program for your brand.

Just as organizational executives were once eager to read books about advertising, today’s marketing leaders must understand the evolution of licensing as a brand-building and marketing endeavor and know how to adapt it to their purposes. The goal of this book is to facilitate this understanding, providing explanation, examples, and prescriptive elements to help companies unlock their brand equity, their most valuable asset. This book provides many case studies and examples because by examining how famous brands have used this tool effectively and, in some instances, not so effectively, we can understand a great deal about licensing.

I have learned a great amount about licensing over the years—more than 30 years, in fact. During that time as the head of Beanstalk, a company I cofounded in 1991 [and beginning in 2005 is majority owned by Omnicom Group, a multinational marketing/communications holding company (NYSE: OMC)], I have assisted hundreds of corporate brands develop licensing programs all over the world. I have observed the evolution of brand extension licensing during that time and our agency and others have played
The Power of Licensing

an instrumental role in that evolution and in advocating an awareness of licensing as an important tool to engage and further bond with consumers. I have found, however, that getting experienced marketing professionals to understand this concept isn’t always easy. The old view of licensing (i.e., licensing used as decoration) is embedded in their perceptions. Unfortunately, this perception is widespread—at the biggest brand companies as well as at marketing services agencies. As a result, it has often been difficult for licensing to get a seat at the “marketing table,” particularly when marketing executives have no experience with the licensing discipline and what it can offer. But that is changing. When lecturing about licensing to students and professionals, I have been very dissatisfied with the few books available on licensing; none of them explain brand extension licensing and why and how companies use or should use licensing as part of their marketing arsenal and retail strategy. Accordingly, this book is long overdue.

As you will discover, this is an examination that looks at licensing within a branding framework. To that end, case studies will often provide some history about the brand—how the brand began, the vision of its founder(s), and its early brand message. The history often offers a valuable context in which to view the brand today. It’s remarkable how many iconic brands, many more than 100 years old, are still delivering the same brand message crafted by their entrepreneurial founders, albeit modernized. In order to use brand licensing effectively, we must understand that message, the essence of the brand, and the heart of the brand’s equities. For it is those equities and that message that must be translated and represented effectively by licensed products. Unlike an advertising or a social media campaign that can be discontinued quickly and relatively easily if it proves ineffective, licensed products can take a year or more to launch (just like any new product launch), and if you get it wrong, taking the products off the shelves can be a nightmare. So quite an investment of time and resources are required for successful brand licensing. To make that investment pay off, a knowledge of brand history helps. That history can provide some
important clues about the brand’s DNA. The more we understand brands on this molecular level, the better able we are to engage in brand licensing in ways that feel organic and genuine to consumers and the marketplace.

Consider the Kellogg brothers, for example. Will Keith Kellogg and Dr. John Harvey Kellogg—basically invented cold cereal in the late 1800s as a healthier alternative to eating dinner leftovers for breakfast. And health and nutrition are key components of the brand today. John Pemberton, the inventor of Coca-Cola in 1886 (followed by Asa Candler who purchased the company in 1891), initially positioned Coca-Cola as a medicinal remedy but shortly thereafter also as a refreshing drink, a pause during a busy day, and a lifestyle product. Sound familiar? And early in the last century, two builders, S. Duncan Black and Alonzo Decker, found stationary electric drills cumbersome to use. So they invented the world’s first portable drill that made construction work easier with a reliable and user-friendly product they marketed under their new corporate name, Black & Decker. “Easy to use, portable, and reliable” continue as equities of the Black & Decker brand today. Although the early brand messages of these founders have been modernized, the equities of the current brands are still rooted in their histories.

Just as we can learn a great deal from the history of a brand, we can also learn from the future-forward approaches of cutting-edge marketers. As you will discover, a number of companies are using licensing in ways that are as innovative and effective as anything in their toolbox. Licensing, nevertheless, remains underutilized by many brand marketers. Marketing professionals continue to scour the marketing landscape seeking ways to reach consumers with their brand messages while considering the plethora of options they now have to reach and engage with consumers. They are selling their brands short by not paying attention to how brand licensing can help them achieve these objectives. Some brands don’t get it, but many sophisticated brands do.