



Recent Observations about Inbound Licensing



by - Todd Donaldson

In the licensing industry, attention is typically focused on strategies to license a brand “out,” extending a brand into new products and places. On the IMC Licensing website alone you will find articles about [licensing as integrated marketing](#), [measuring licensing ROI](#) and [due diligence & quality assurance](#) among others. But with the first licensor came the first licensee, and thus the need to evaluate an opportunity to license “in.” Manufacturers or retailers need to identify brands that best fit their needs before they pay to license them. And licensing partnerships must be strategic and serve the needs of parties on all sides of the equation – brands, manufacturers and retailers – to succeed.

Four recent observations we’ve made on inbound licensing have us thinking even more about licensing from a 360° degree perspective.

Think Big



Licensing in has become a proven strategy for large consumer product companies. The Open Innovation team at Kraft Foods has included licensing in its development plans for years, taking sometimes even larger risks on inbound licensing than in its outbound platform. Even before Kraft’s Sustainable Growth Plan began in 2004, the company made large commitments to new programs. In 1998 Kraft struck a distribution deal with Starbucks to bring its coffee beans to the grocery aisle, and added to its frozen pizza lineup California Pizza Kitchens via a licensing deal. Then came the South Beach Diet brand, launched in 2005, a joint venture with Dr. Arthur Agatston that topped \$100 million in sales in its first nine months. That program has continued to grow, adding products and then transforming itself into the South Beach Living brand.

Filling A Niche

Just because a licensing opportunity may play out only on a smaller scale, if it fills a strategic niche then it should not be ignored. If a product or relevant brand meet your needs and fill even a small void in your offering, it should be considered. The Jel Sert Company, an established contract manufacturer and owner of the Flavor-Ice, Wyler’s and Royal brands, has been licensing a variety of properties for years. Not content to satisfy just kids with its category leading freezer pops, Jel Sert has attracted adults with its line of Dr. Pepper, Orange Crush, A&W Root Beer and 7-Up frozen novelties. In 2007, in addition to acquiring the rights to a new flavored straw technology, Jel Sert licensed in brands such as Oreo and Chips Ahoy! to flavor those straws. While other licenses abound within the company, each one meets a strategic need of the company and delivers a unique message to the consumer.



If you can’t acquire it, license it

Li & Fung is a century old Hong Kong company, initially known for its sourcing and supply chain management expertise. Not content with merely making its money on manufacturing, the company set its sights earning more at every step of the way. It began with the establishment of Li & Fung USA, which first licensed Levi Strauss in 2003 and continued with acquisitions of operations, brands and licenses. It does not appear the growth will stop with the nearly 100 brands and licenses in their portfolio. Strategic plans have been laid out beyond 2010 to grow the business which has a hand in some of today’s most talked about programs including LL Cool J at Sears and Simply Vera at Kohl’s. With last year’s purchase of American Marketing Enterprises, Li & Fung USA brought in relationships with over 40 top licensors and numerous key retailers.





Leasing an Owned Brand

For some time, Safeway has been at the forefront of the development of store brands, taking private label to new heights in the U.S. with programs like Eating Right and O Organics. In early 2008, Better Living Brands, an alliance of contract manufacturers, announced it was licensing those two brands to market, sell and distribute across all retail and food service channels in the United States. The Alliance is led by Lucerne Foods, a wholly owned subsidiary of Safeway, and also includes Overhill Farms, Ready Pac Produce, Schreiber Foods, EMAK Worldwide and CROSSMARK. Shortly after the announcement, Safeway itself announced its partnership with Warner Brothers on Eating Right Kids, a line of over 100 products featuring characters from the portfolio of the entertainment giant. It seems Safeway just was not content on battling Kroger from its own stores, but plans to allow all retailers to compete against the Disney Magic line. The strategy is not only innovative for the retailer, but also a powerful initiative for the contract manufacturers to expand their footprint.



Conclusion

Whether using inbound outbound licensing, licensing must represent a strategic marketing solution for brands, manufacturers and retailers. Successful licensing requires looking at all sides of the equation and develop strategic licensing partnerships which can serve the needs of all parties involved while creating great new products for consumers to enjoy.

