

Welcome

We have created this guide for any professional looking to find out more about the world of brand licensing, we hope you find it useful.

To learn more about this dynamic industry, don't miss this year's Brand Licensing Europe, 1 to 3 October, ExCeL London which brings together 7,800+ retailers and manufacturers with 260+ brand owners showcasing the latest brands and trends.

Visit brandlicensing.eu to find out more.



Anna Knight
*Event Director,
Brand Licensing
Europe*

Contents

03 Introduction

04 The licensing mix:

Licensing genres explained

07 Getting started:

Identifying and utilising the tools available to help make sense of the licensing market and making that important informed decision

08 Nuts and bolts of licensing:

Explaining the basic terminology of licensing and its core components

09 How to talk licensing

Jessica Blue provides tips for having productive licensing conversations

10 The business of licensing:

Outlining the typical cost of licensing and highlighting the key things to look out for in a Licence Agreement

15 Designing the product

18 How Sainsbury's Tu Clothing approaches licensing

19 Case Studies: Making it work in-store

23 Brand Licensing Europe:

Information about this year's must-attend event

Star Wars toys. Manchester United diaries. VW camper van tents.

Connecting a powerful brand to an in-demand consumer product is a license to print money.

A recent LIMA Global Licensing Study revealed that the worldwide licensing business generated retail sales valued at more than US\$271.6bn in 2017, a 3.3% increase on the previous year. This is a huge and growing business sector.

The UK is the second-largest licensing market in the world, behind only the US, with retail sales here surpassing US\$14.04bn. Other significant markets include Germany, France, Italy, Brazil, the Netherlands and the fast-growing south-east Asia and China-Hong Kong territories.

This handbook sets out to help retailers, manufacturers and brand owners to capitalise on the enormous power of major licensed brands at retail. The right license can help to drive sales, grow exposure and tap into an existing fan base.

Licensing is one of the best ways of creating a 'retailtainment' shopping experience for customers to engage with beloved brands in everyday life.. The sheer glamour and appeal of products licensed to hit movies, TV shows, sports events, celebrities, famous characters and even fashion brands make them eminently suitable for high-profile display, POS and promotional in-store layouts and fixture planning.



Kelvyn Gardner,
Managing Director, LIMA UK



**Licensing is one
of the best ways
of creating a
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customers.**



Understanding brand licensing

Licensing is defined as the process of leasing a trademarked or copyrighted entity (known as a property) for use in conjunction with a product, service or promotion.

The property could be a name, likeness, logo, graphic, saying, signature, character or a combination of several of these elements.

A walk down the high street illustrates the impact that this simple business arrangement is having on both the consumer and an increasingly diverse range of retailers, from discounters to retailers of luxury goods.

It's reasonable to think that the licensing industry begins and ends with toys and games. Indeed, the prevalence of popular film franchises, children's television series, apps and video games – often associated with intensive, seasonal, consumer marketing campaigns – certainly perpetuates this perception. Licensing is, however, much broader than that. Its scope and reach extends across a wide range of product categories including (but by no means limited to):

Apparel & footwear
Fancy dress & party accessories
Stationery
Greeting cards
Posters & prints

Giftware
Homeware
Fashion accessories
Groceries
Health & beauty

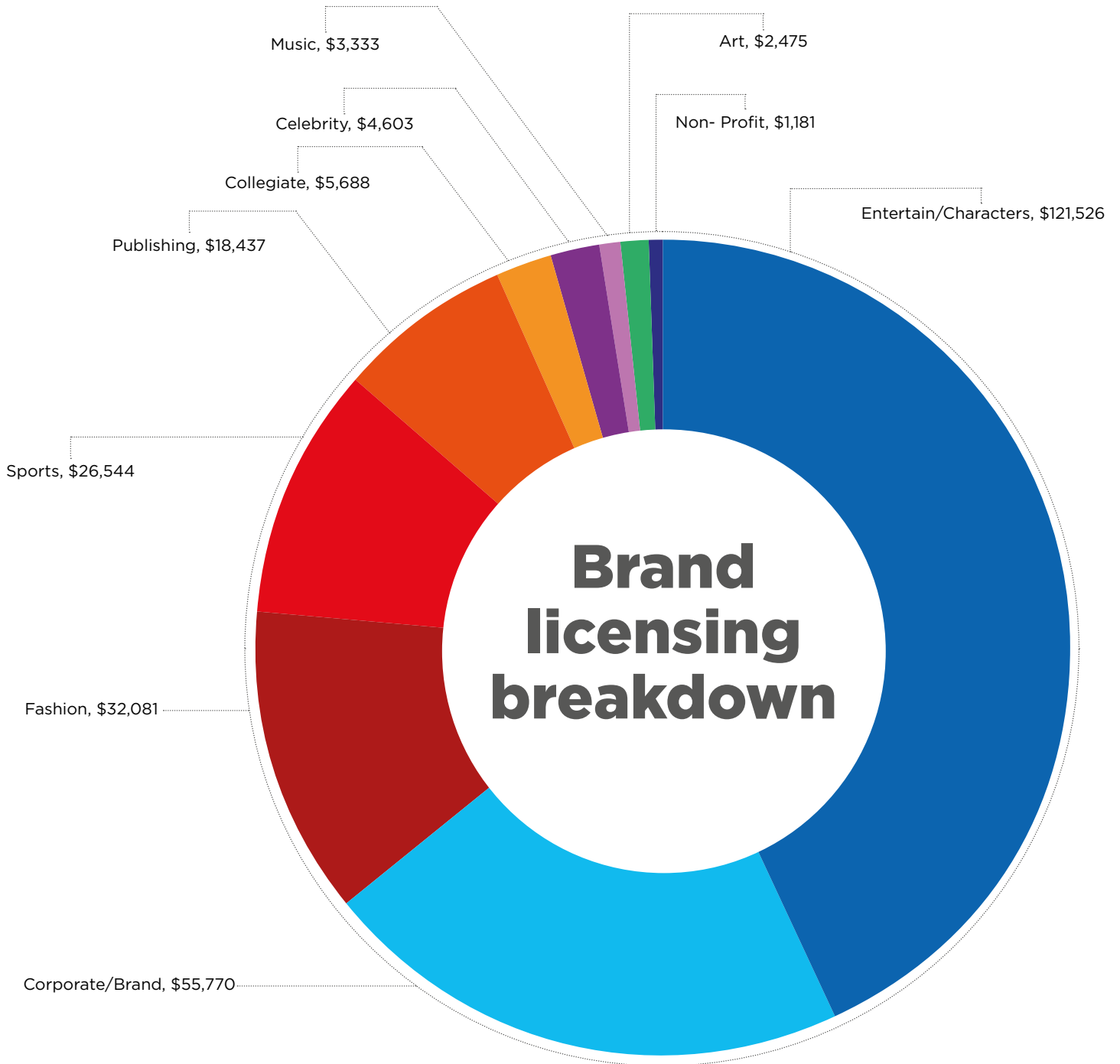
Publishing
Promotion
Electronics
DIY & gardening
Lifestyle & leisure

While many of the above product categories have a large number of properties that appeal to children, retailers are increasingly targeting adult customers through brand licensing, with strong growth observed in retro or vintage brands, for example.



Brand licensing genres explained

The 2018 LIMA licensing study breaks the market down into the following categories:



For simplicity's sake it is worth looking at these under three distinct headings:

Character & Entertainment

Character & Entertainment is without doubt the largest part of the global licensing industry, generating retail sales of \$122bn in 2017 and accounting for 45% of total global licensing sales*. In terms of consumer awareness, the most recognisable properties in this category would include:

- Animated TV programmes
- Feature film releases
- Characters and themes taken from gaming consoles and associated software
- Characters and themes taken from downloadable apps and those inspired by social media
- Classic children's book titles through to adult fiction
- Song lyrics, music and theatrical production

Brands and Lifestyle

Brands and lifestyle is a growing sector of the global licensing industry both in terms of size and the number of blue-chip brands and organisations licensing out intellectual property such as:

- Corporate organisations
- Fashion houses and designers
- Museums, galleries and collections
- Charitable associations
- Sport clubs, national associations and global sporting events
- Automotive
- Celebrities
- Food, drink and consumer goods

Art design and image

Although smaller than the other sectors, art design and image is perhaps the most diverse. Artistic and illustrative styles include:

- Designers
- Illustrators
- Image libraries and collections

How do brand owners benefit from licensing?

For owners, a professionally managed licensing programme can deliver revenue, brand extension through the skills and competencies of companies operating in market sectors different to your own, and protection from copyright breaches and even passing-off.

Reasons brands seek to license their IP include:

- Boosting awareness and marketing for core IP
- Borrow competence of licensees
- Alternative to brand extension
- Protect the brand across up to 45 different trademark classifications
- Reach wider pool of consumers



Character & Entertainment is without doubt the largest part of the global licensing industry, generating retail sales of \$122 billion



Getting started

In this handbook we dispel some of the many myths that surround the licensing industry.

One of the most widely held misconceptions is that barriers to entry are high because it is difficult to contact brand owners to discuss licenses, you have to be a business of a certain size and the biggest companies will get all the best licenses anyway.

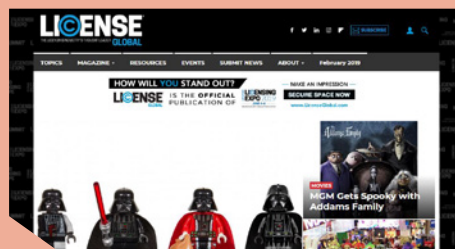
Any professional seeking to enter the licensing industry needs to decide if a licensing agreement is indeed right for them. They should ask themselves:

- What are the other successful properties in a particular product category? Why have these worked and will the principles work for the property being sought?
- How open is the product category? Is there room on shelf for another, similar property? And how can your property stand out from what is currently available?
- What is the scope and benefit of adding its product to the wider licensing programme for a property?
- Forward-looking licensing trends in the market - what is expected to be hot and in fashion in, say, 12-18 months-time when the product might launch?
- What are the best retail channels and positioning for the sale of its proposed licensed product(s)? Who is the core consumer at these shops?
- What are my brand / property's values? Do they work well with my prospect partner's values?
- What are the obligations of a license agreement? What are the typical costs of and clauses to negotiate?
- Is there an obligation or expectation to provide marketing support for the product and to the brand owner?
- What is the approval process and does it factor in sufficient time for product development?

There is much to consider, so it's worth doing some wider reading beyond this handbook as well as attending **Brand Licensing Europe**, 1-3 October 2019, ExCeL London to find out more the licensing industry.



Licensing
needn't be
impenetrable
to smaller
players



TIP: For daily licensing news read License! Global the leading source of news and trends for the global consumer products and licensing industry, read by 80,000 executives every month.
www.licenseglobal.com



The nuts 'n' bolts of licensing

Don't panic! The business side of licensing really is pretty straightforward and is not about mega money in most cases.

This jargon buster by Tim Collins, 'The Brand Director', explains some of the terms and phrases that you will often hear in your licensing discussions:

To license: To give permission to a third party to use a legally protected intellectual property in conjunction with a product, service or promotion.

Intellectual property (IP): Commonly known as the 'property' or IP and typically, for licensing purposes, a television, film or book character, television show or film franchise and brand. It can also refer to anything and everything including celebrities, sport clubs, players, stadiums, museum and heritage collections, logos, art and design collections, and lifestyle and fashion brands.

Licensor: The owner of the intellectual property.

Licensing agent: A company appointed by the licensor to manage the licensing programme of a particular IP.

Licensee: The party – whether manufacturer, retailer, service provider or promotional agency – that is granted the rights to use the IP.

License agreement: The legal document signed by licensor and licensee that provides for the manufacture, sale and use of licensed product against agreed commercial terms, broadly known as the schedule.

Licensed product: The product or service that carries the licensor's IP.

License Period: The term of the license agreement.

License territory: The countries that the licensed product is allowed to be sold or used in during the course of the license agreement.

Royalties: The monies paid to the licensor (or collected by the licensing agent on behalf of the licensor), usually paid on gross sales with certain limited deductions.

Advance: A financial commitment in the form of royalties paid in advance, typically on signature of the license agreement by the licensee.

Minimum guarantee: The total royalty income that is guaranteed by the licensee over the course of the license agreement.

Royalty accounting: Defines how the licensee accounts for royalty payments to the licensor – typically quarterly and retrospectively at the end of March, June, September and December.

Top tips for a productive licensing conversation



Jessica Blue, SVP Licensing, Global Licensing Group provides a series of top tips and questions for you to consider in advance of a licensing meeting.

Licensor to licensee A brand owner will ask you:

1. Who are your customers? Provide as much information about your target demographic as possible.
2. What are you looking for in a new property? Do you have specific priorities in a particular category or audience group?
3. Which other properties do you already license? What successes have you had in particular?
4. If you are a manufacturer – which retail and/or distribution partners do you already have?
5. If you are a retailer – what successes have you enjoyed with licensed products? (Provide specific examples where possible).
6. What kind of marketing support can you offer if you license this property?

Licensee to licensor You should ask the brand owner:

1. What statistics do you have available to show reach? Find out as much as you can about existing readership, fanship and viewership.
2. What is the content marketing strategy for this property? Ask about film, TV, publishing, gaming and social networking. This will give you some real insight into how the popularity of their property could grow in the coming months and years.
3. What are the best existing products in the line and why are they so successful?
4. Who are we competing with for shelf space?
5. What is unique about this property? How will it compete with and complement the properties I already license?
6. Who are your brand's primary consumer groups and how did you identify this target demographic?
7. What are the cross category opportunities for this property?
8. How have you selected your existing licensees? Who else is in board for this property and in which categories?
9. What are best practices you have seen from other retailers?
10. What type of marketing support can we expect if we license this property?

Top tips!

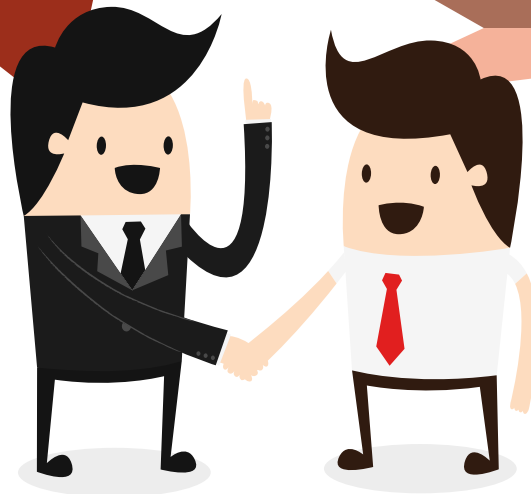
Ask lots of questions and offer feedback

If you're meeting face to face make the most of the opportunity to share visual examples of previous licensing success stories you've been involved in

Have your stats to hand and be ready to answer questions about your target demographic and marketing plans

Be prepared to negotiate and leverage your promotional assets

If you are a retailer and you are interested, but hesitant, offer to test in a small number of stores or online



The business of licensing

Now to the business of licensing. Once you've identified prospect partners to work with, it's important to sit down at the earliest opportunity to discuss the vision for the products, how and where they will be sold and outline a sales forecast.

Once the broad terms are agreed, you'll sign a deal memo or heads of terms agreement that summarise the top commercial points. At this point, the person you're negotiating with will probably need approval from their management. Once you have approval, you'll be sent a long-form contract (though you might wait a few weeks or months for the legal department to catch up!)

Be careful not to spend too much time or money until you're confident the deal has been approved in writing.

When you receive the license agreement, you will note that this is broadly broken down into two parts: the general legal terms and the commercial points specific to your deal. We'll deal with the commercial points in the next section but the legal aspect may need input from your legal team. However, in my experience, many companies take a common sense view, especially if dealing with a big corporation.

There are three principal types of license agreement:

1. Standard license – the most common type

The licensee is free to sell the products to any customers within the agreed parameters of the deal, and will want to maximise the numbers of customers who list the merchandise. This works well for most businesses with a broad client base. If you're a manufacturer and only sell to four retailers, you may well just agree that your agreement limits you to selling to these four. Basic rule of thumb: the more product categories you have, the broader your customer base, and even the more countries you sell to, the greater your likely sales and royalties.

2. Direct to retail (DTR) – an emerging trend

Here the licensor has an agreement directly with the retailer, which will then source products directly from its supply chain and pay the licensor any royalties due. Retailers benefit from using their existing supply chain, helping to optimise margins, while licensor's have some security in knowing the products will be available on the high street.



There could be a little delay and, of course, if you're pitching for rights against a few competitors



3. Triangle sourcing – newer agreement that shares risk

Here the retailer and supplier effectively agree an exclusive arrangement. The supplier may take on the legal responsibility (the contract is probably in its name), but the retailer will be equally bound to buy their merchandise. This minimises risk for the supplier (licensee) and allows them to give the retailer a little bit more margin. A variant is where the licensee works with different retailers and their nominated suppliers.

Ultimately these license agreements are all about putting products onto shelves and all sides being clear about what they can and can't do. To this end, let us consider and expand on some of the key commercial contract terms:

Exclusive v non-exclusive v sole license agreements

Unless you're paying a very high guarantee most agreements are non-exclusive – i.e., in theory a licensor could grant the same or similar rights to many companies. In practice they won't, but it is often a point of frustration in the legal negotiation, although it tends to work well in reality. Exclusive agreements are rare because only the licensee is able to produce the products agreed on your license. Sole agreements require both licensee and licensor to produce these products but no-one else is permitted – for some companies this is as good as exclusive and a satisfactory compromise.

The articles

This is what products/services are being produced using the IP. Here it is better to be specific because the broader the category, the more you'll pay. Licensors want to have a product plan and see samples and examples of what you envisage creating, even if it's inspired by something else on the market.

The contract can be incredibly specific on what you can produce. For instance, clothing is far too broad a term, so be a bit of a pedant in defining the product. Take this example: '100% cotton, short sleeved T shirts, adult, size S/M/L only'. This is an extreme example because if you produced a long sleeve variant, you would technically be in breach of your license, but it still conveys the general point about the importance of clearly defining your product. Remember, companies change their minds all the time and contracts can be amended – so keep the licensor close and work together as amiably as possible.

Royalty rate

The licensee will pay a royalty on everything it sells. Rates are normally expressed as a percentage of the wholesale price or invoice value, but can be expressed as a percentage of the retail price, free on board (FOB) or other measure and even as a specific sum per article sold. Remember, if you are proposing FOB, the rate will be 2-4% higher because product is leaving the overseas manufacturing source free of any duties and taxes, so the ex-factory price is lower.



Unless you're
paying a very
high guarantee
most agreements
are non-exclusive



Be clear how the royalty is defined when you're negotiating the agreement. The standard agreement generally allows for certain and reasonable deductions, but check they include your normal business practices – e.g., returns if you operate in a sale or return market; and marketing spend, promotional allowances or deductions that help sell more product to benefit the licensor. Deductions for the likes of early settlement will probably be proscribed because the benefit, in this instance, is confined to the licensee's cash flow.

Royalty rates vary enormously depending on the product category, the importance of the licensed property and the profile of the licensor as well as your relative negotiating powers. Rates typically vary from 2% to 18%, but generally, and as a rule of thumb, you should be expecting to pay:

- 10-12% for entertainment or character merchandise such as toys, games or clothing
- 3-6% for food and grocery licensing
- 4-12% for design, brands and fashion brands

Some licensors operate a Common Marketing Fund or CMF. This is an additional royalty of perhaps 2% that goes into a pool with all other CMF payments to help fund retail and promotional activity.

If run well, the licensee should benefit from promotional activity within certain retailers leading to enhanced sales. The key is to work with the licensor to ensure your retail buyers are part of the bigger picture.

At the end of every financial quarter and within 30 days you will generally supply a statement of royalties to the licensor – often directly through their royalty management system, which shows what you've sold and at what price. Bear in mind that sometimes different products might have different royalty rates and do ensure that the finance department crunch the correct numbers. If licensed product is sold outside of the home territory, these will need to be detailed in the statement. On submission, the licensor can then work out how much royalty is due and send you an invoice.

Advances, Guarantees & Fees

Licensors will typically want an advance on projected royalties. Yes, it helps the bonus, but it's also a show of commitment from the licensee to actually develop the products and make a go of it.

Start by working out a projection on likely net sales and then be honest and open during the negotiation and take a view on what's reasonable. Start with an annual forecast: how many units are you going to sell and at what price point? You may well have a range of products to consider, therefore build the model for years one, two and three. The calculation is very simple:

$$\text{Net sales (in £ or any local currency) x royalty rate} = \text{projected income for licensor}$$

Start with an annual forecast: how many units are you going to sell and at what price point?



Let's look at an example. You're projecting net sales of £1 million over two years and both sides would be happy with a 10% royalty, so the licensor's projected income is £100k. The licensor asks you to guarantee 50% of that. In this scenario, it may ask for this £50k as an up-front payment or a split payment: £25k upon signing the agreement and £25k upon launch of the products. But if your projected net sales are £50k, then using the same model, the net royalties are £5k and likely returns would only be in the £2.5-5k range. Licensors and agents vary in their approach - but it's rarely all about the advance these days.

Taking a risk on a new or less popular property might get you a low or nil advance, but equally, a hot brand with many companies bidding for rights, will require a bigger chequebook. As we have seen, the advance is normally paid upfront when you sign the agreement, but can also be broken down and paid at periodic junctures throughout a contract.

The minimum guarantee (MG) is the minimum total amount payable over the life of the agreement. It may be the same as the advance but may require further stage payments throughout the term. A note of caution here and one that harks back to the earlier point of being realistic in your forecasting of royalties: if the licensed product fails to sell, then in theory you may have to pay the total MG, just like you would your mortgage.

Some deals are done on a flat fee - a one-off payment. This is typical if you're using the brand in a promotion or TV campaign or can't easily assign a royalty to an item produced.

Term

The length of time the agreement runs. Do bear in mind that the agreement will start well before you're ready to sell the products as it may take a year in new product development, so ensure you have enough time actively selling to make some money. Typical terms run 2-3 years for entertainment brands as the lifecycle of a property may be shorter. In extreme cases - for instance a movie with huge sales but only over a 3-6 month period - managing the exit can be as crucial as deciding when to launch. Corporate trademarks, lifestyle brands as well as art and design brands generally last 3-5 years or longer as both sides tend to favour a longer term relationship, which allows time for new designs in what is typically a design-led market.

Territory and markets

In essence, where you can sell your licensed products. In the EU, the Treaty of Rome allows for companies to sell freely to other markets even if your agreement is for one member state. However, this is permitted only for orders received from an overseas customer; it is not a free hand to knock on their door looking for business. It's not uncommon to see merchandise from other European territories popping up in the UK, so work with the retailer and licensor to find a solution.

Your contract may also specify sales to a particular channel or type of retailer - for example toy stores, discounters or you can name a specific retailer you can sell to or not sell to.



Do bear in mind that the agreement will start well before you're ready to sell the products





What is LIMA?

Kelvyn Gardner, managing director, LIMA UK explains the role of the global trade association for the licensing business.

LIMA's role is to drive the business forward and widen the global reach of licensing. LIMA now has members in 35 countries. Through its outreach programme of events worldwide, LIMA brings in new brands and new manufacturers, even whole new industry sectors. LIMA supports its members by providing networking, exhibition and education opportunities, encouraging business growth and executive aspiration through awards and publications.

In short, LIMA is the glue that holds the licensing business together."

Other key points

- Dates – there may be dates restricting sales to a specific launch period (marketing date) or penalties if products aren't launched in time.
- Sell-off – 90 days is typically the time period in which you can sell off inventory at the end of a contract, but you can't manufacture any more during this time. To protect the brand and other licensees, the license agreement will typically contain a clause forbidding stock dumping during or at the end of the sell-off period.
- Minimum orders – there may be a requirement to produce a certain minimum amount of the licensed product.
- Audit rights – licensors have the right to audit and will often find discrepancies – more often due to mistakes in calculating net sales values and other points.
- Trademarks – the contract should list what trademarks are owned and registered by the licensor and what you can use, as it helps the licensor understand what they're paying for.
- Reporting – in addition to royalty statements, licensors sometimes want forecasts and re-forecasts through the year. This is good sense for both sides – everyone wants to know how things are selling four times a year and no one wants any surprises.

Advice to manufacturers and retailers:

As I said at the start, don't panic. Licensing is just about working with someone else's brand. There should be no real horror stories as long as you plan well and execute with common sense. The deal negotiation and contract are actually the easier part of the process. The real emphasis is in product development: making sure the items you're selling are 'on brand', that both sides listen to one another during the design and pre-production stages and, of course, in working with retail customers and any consumer marketing. Try and meet the licensor's team that is tasked with handling retail and product development as soon as you can, so all sides can work smoothly together.

Designing the product

Now the fun can really start as you start to develop your licensed product.

As with all product development, attention to detail and following correct procedure is fundamental to having a problem-free process. It is important that all three parties – licensor, licensee and retailer – work together to create the most suitable licensed product possible for both property and customer. It is worth remembering that while licensees and retailers are experts in their respective fields and fully conversant with what sells, to whom and why, it is unlikely they will have the in-depth knowledge of a property that the licensor has.



All parties should understand the preferred launch date for licensed product and build sufficient time into the critical path to meet this target.



Planning to launch

All parties should understand the preferred launch date for licensed product and build sufficient time into the critical path to meet this target. This might sound obvious but remember: in some instances, a property might be represented by a licensing agent who might need approval for designs submissions from the licensor. This becomes more complicated still if the licensor is, say, located in the Americas with perhaps eight hours' time difference.

Consider also that the license agreement will specify a time in which all approvals must be processed. There is no industry standard here and the licensor might specify as little as seven days or as many as 21 days. In many cases, common sense prevails and product approvals are turned around in a much shorter timescale – in some cases on the same day. Don't assume that to meet your own production deadlines this can be ignored, because the licensor will be within its rights to demand that any unapproved product is destroyed. Stay in regular contact with the licensor from the outset and flag any issues at the earliest opportunity.

Approval process

The approval process will vary slightly by product category but in essence, product must be approved by the licensor at each of the following stages:

1. Concept – outline drawings, sketches or mocked-up product of proposed licensed product(s) or range and remember, if a range is intended, include all products so the licensor can get a sense if the range works as a whole.

2. Artwork – to show in greater detail exactly how the product(s) or range will look, referencing the pantones used to create the design

against those specified by the licensor, materials, detail and any mechanics. If a clothing range, include the base material, buttons or zips, embroidery-applique or printed decoration; if a toy range, include base material again but also mechanical and play elements.

3. Strike-off – typically the first sight of physical elements to the product(s) or range to show colour reproduction against artwork and quality of manufacture of any detailed elements including embroidery, stitching or mechanics.

4. Pre-production sample – exactly as the name suggests, a sample of the finished product ahead of full production to show that approved strike-off elements can be accommodated on the final and complete product.

Of course, you cannot create anything without access to the property’s assets, which are taken to mean the style guide, logo, title, illustration, name, voice, likeness or clip.

The style guide

As recently as three years ago the style guide was a resource provided by a licensor to allow licensees to solely create licensed product. It would specify the exact design look for a brand including, among many other elements: the font, pantone references for characters, key elements and backgrounds, size charts of the characters, packaging guidelines and the legal copyright notice to be included on product.

Today’s style guides still do this and are a fundamental tool for product development, but are now considered an integral part of a property’s sales and marketing. A style guide will also incorporate ideas on product, fashion packs and a host of graphic placements and repeat patterns so the licensee can bring the property alive in a way that sits squarely with its core brand values and visual identity.



**NURTURING
RELATIONSHIPS
LAYOUT
PRINCIPLES**

Logo always positioned top left

HEADLINES Mixed DIN Black and DIN Light

Logo always positioned top left

HEADLINES DIN Black

SUBHEADERS Bliss Regular

INFORMATION GRAPHIC Boxed DIN Bold

CALL TO ACTION Orange Boxed DIN Bold

CALL TO ACTION Orange Boxed DIN Bold

BODY COPY Bliss regular

BASIC COMMUNICATION ELEMENTS COLOUR

Our distinctive RNLI colour palette has been created to build instant recognition across our communications.

It's inspired by the world the RNLI inhabits – the vivid orange of our boats, the red of our lifeguard uniforms, the yellow of our distinctive boots and the reliability of the blue from our logo. This palette is complemented by the grey and blue tones of the sea and the sky.

					
<p>RNLI Blue Pantone 281 C100, M72, Y0, K38 Websafe: R0, G38, B99 #002663</p>	<p>RNLI Orange Pantone 144 C0, M53, Y100, K0 Websafe: R239, G130, B0 #EF8200</p> <p>CALL TO ACTION</p>	<p>RNLI Red Pantone 032 C0, M91, Y87, K0 Websafe: R243, G40, B55 #F32837</p> <p>CALL TO ACTION</p>	<p>RNLI Yellow Pantone 109 C0, M10, Y100, K0 Websafe: R255, G210, B0 #FFD200</p> <p>HIGHLIGHT</p>	<p>RNLI Light Blue Pantone 306 C77, M0, Y7, K0 Websafe: R0, G184, B228 #00BBE4</p> <p>HIGHLIGHT</p>	
					
<p>RNLI Secondary Red Pantone 201 C0, M100, Y60, K36 Websafe: R158, G27, B50 #9E1B32</p>	<p>RNLI Secondary Grey 1 Pantone 432 C21, M3, Y0, K87 Websafe: R54, G66, B74 #36424A</p>	<p>RNLI Secondary Blue Pantone 537 C20, M10, Y0, K14 Websafe: R192, G200, B214 #C0C8D6</p>	<p>RNLI Secondary Grey 2 Pantone Cool Grey 2 C10, M8, Y10, K0 Websafe: R214, G214, B212 #D7D6D4</p>	<p>RNLI Secondary Grey Pantone 5655 C28, M10, Y24, K0 Websafe: R189, G198, B186 #BDC6BA</p>	
<p>RNLI Web greys R54 G66 B74 #36424a</p>	<p>RNLI Web greys R70 G80 B88 #465058</p>	<p>RNLI Web greys R108 G115 B122 #6C737a</p>	<p>RNLI Web greys R157 G162 B166 #9da2a6</p>	<p>RNLI Web greys R200 G202 B204 #c8cacc</p>	<p>RNLI Web greys R233 G233 B234 #e9e9ea</p>





John Carolan,
Head of Buying & Design,
Sainsbury's, Childrenswear
& Menswear

How Sainsbury's Tu Clothing approaches brand licensing



Customers are looking for great design, great quality, great choice and great value and it is this fundamental belief which helps to drive a growing licensing programme in-store, says John Carolan, head of childrenswear and menswear at Sainsbury's Tu Clothing

Launched in 2004 Tu Clothing now has 25 million customers per week and was the UK's sixth largest clothing retailer by volume and 10th largest by value in 2015, according to data consultancy Kantar.

Our customers want to see newness in their regular shop and to have more choice - licensing helps us deliver this. Indeed, licensing is a vitally important element to the Tu offering, with children's product now accounting for a large part of the total sales and a growing presence in menswear. At any one time, we will stock 10-15 children's brands in-store across the core categories of baby, toddler, older boys and girls and unisex; a mixture of classic evergreen properties including The Gruffalo and Thomas the Tank Engine through to must-have entertainment brands including Star Wars or, currently, Paw Patrol.

Licensing reflects how customers want to live their lives and so when selecting a brand, we have to consider whether it is right for our core customer. Our typical customer is ABC1 aged 35-55 years with a mixture of young and mature families, so it is important to recognise that both parents and grandparents will be buying licensed products. For children, a licensed product has to reflect our own core brand values of being fun, clean, wholesome, responsible, non-aggressive and educational. To this end, we might not necessarily select the next must-have licensing opportunity if the brand fit is not right - we have to consider the long-term benefit of licensing rather than the short-term opportunity. The Gruffalo, like Disney, ticks all these boxes and it's plain to see that its own brand values perfectly match those of our customers. As you can imagine, we are presented with an awful lot of new licensing opportunities - in television, books, films and digital - and it is important that we





have a set of criteria on which to assess these:

- Does the brand have recognition from our customers and resonate with them?
- What is our customers' perception of the brand? This is an important consideration and one that we regularly and thoroughly test through focus groups
- What does the brand stand for? Is it educational, aspirational or fun and will the consumer acknowledge this? For example, children's brands will need parental approval while menswear must be cool, aspirational or attitudinal

Licensed products carry a premium price over the Tu brand and this has to be reflected in the product design. Design is at the forefront of everything we do at Tu and we expect the licensors and licensees we work with to share this vision, this passion. Tu takes design very seriously and we've grown our in-house design team by 50% over the past three years – and licensing needs to keep up with our investment.

For Tu, the design of licensed product needs to:

- Help differentiate the brand from the competition
- Excite the customer
- Reflect core brand values
- Allow and encourage use of colour, texture, shape and feel on a garment

Licensing is a very fluid business and it's important that we stay informed and aware of all future trends and opportunities. We take a three-year rolling view of what's coming and although we typically work on refreshing seasonal ranges nine months in advance, we might plan up to two years in advance for a major film release. It is therefore important to work closely with other partners – ie, the licensor and its licensees – and is something we as a business are embracing.

That said, our buyers are very aware that our customers want to see change and choice and that new brands and trends can emerge and grow rapidly. To this end, we work with licensees who can deliver against short lead times – sometimes as short as 6-8 weeks – out of the UK and Europe. The key for Tu is to land the right product, with the right design, at the right time, in-store.

When all is said and done, we help build brands for licensors and create, through our insistence on good quality design, excitement around the brand. Working together with licensors and licensees has been the strength in our success over the previous five years and this will continue – Tu Clothing wants to be a benefit to all concerned.



Case Studies: Making it work in-store

Brand licensing creates a great diversity of opportunities for retailers to use in their stores and connect with consumers, says Ian Downes of **Start Licensing**.

Here are a few case studies to show just how licensing can bring retail to life.

Oasis and the V&A

The Tales of the East collection from fashion retailer Oasis continues a long-standing partnership between the Victoria & Albert Museum (V&A) and the high-street chain.

Items in the collection include silk, mini, pencil, shift and midi dresses, as well as cami tops, tees, trousers, a pyjama jacket, pencil skirt, bomber jacket, jumpers, shirts and a jumpsuit. Based on prints held in the Museum's collection the exclusive range is the latest in a line of collaborations between the V&A and Oasis.

This partnership is very visible, with prominent window and in-store displays. It is promoted through consumer PR including editorials in the fashion press. Oasis has accessed a unique collection that has inspired its designers and offers consumers access to original designs. It is credible in a very competitive market. The V&A has used its unique collection to offer a commercial partner an exclusive design with real commercial value. It has also added value by promoting the collection to its own visitors. Oasis has leveraged its design skills and knowledge to create a range that fits well with the market.

Kitchen Craft

Paul Hollywood, best known as a judge on the BBC's hit TV show The Great British Bake Off, has recently launched a kitchenware collection with Kitchen Craft. The range covers bakeware and accessories.

The licensee has created dedicated in-store displays with retailers in sectors such as garden centres. In doing so the licensee has created a compelling offer that makes selling the range straightforward, that is appropriate to the retail sector and helps the range stand out from the competition. Visuals of Paul Hollywood are persuasive and credible - he is really part of the product range. The licensee has coordinated this activity and manages the relationship with the celebrity - making it an easy-to-use solution for the retailer.



J20 lollies

Frozen ice manufacturer Brand of Brothers recently launched two ice lollies using successful drinks brand J20. Based on J20 flavours the frozen smoothie ice lollies have been developed with brand owner Britvic's input. Brand of Brothers, a start-up, was bestowed with instant credibility by using a license with the stature of J20. The product is highly competitive within its sector and has been used to gain listings within the grocery market.

Brand of Brothers has managed availability and access to the product in a strategic way, initially working with retailers to identify 'gaps' in the sector. It delivered a premium, licensed product that filled a gap in an established consumer market as well as a product with a distinct flavour profile. The response from retailers was positive as they recognised the license's strong consumer appeal.

Iceland and Slimming World exclusive partnership

Iceland, the supermarket, has used licenses very successfully. The retailer has recognised that an exclusive product range can offer a point of difference in a market where creating 'new' reasons for consumers to visit stores can really make a difference. This has benefits for the primary product but also brings value in terms of secondary purchases made during their visit. Iceland has developed a wide range of meals under the Slimming World brand license. This followed on from research they conducted that identified products consumers were interested in buying. Iceland's website emphasises this point: "You asked, we listened, and it's here: Slimming World's brand-new range of fabulous frozen meals available at Iceland."

The range has been a great success. Slimming World's ready-meal range is now worth nearly £30 million [source: Nielsen 52, 10 October 2015, The Grocer]. "After only 12 months in the market, the Slimming World brand is the number one brand in the marketplace – a staggering performance as it is only sold through Iceland stores," said Iceland joint MD Nigel Broadhurst in a report in The Grocer. This is a really good example of a licensed brand being used in a focused way with PR, promotion, research and new product development all being used in harness to create a successful retail offer.

Mothercare and Dennis the Menace

Retailer Mothercare has used licensed properties to add value to its offer in the baby and toddler market. Buyers at Mothercare had identified a trend for character-based designs being used for products such as babygros, but had also recognised this wasn't being done in a focused way with a mixed range of properties or at affordable prices. With this in mind, Mothercare set out to acquire licenses for a portfolio of properties including Dennis the Menace and Bananaman. It chose properties that were classic in nature with





appeal to adult consumers who would recognise the characters and consider purchasing products as gifts for family members and friends with babies. They also worked with property owners to develop products with exclusive designs to ensure that the Mothercare product was on trend and had a distinct identity.

Buying into a range of licenses, some of which weren't overexposed in the market, Mothercare developed a range with strong impact in store and products that were social-media friendly. It used licensing to make a real point of difference and were able to communicate product value beyond a simple price proposition. Brand owners worked with Mothercare on design to make sure design handwriting was original, fresh and contemporary.

Ghostbusters 'takes over' Waterloo

A final example of licensing being used positively to create a retail opportunity concerns the Ghostbusters film franchise. Specialist retailer Forbidden Planet created a pop-up shop to tie in with a major promotional push for the film in Waterloo Station, which was 'taken over' by Ghostbusters for a week. The pop-up shop resembled a New York subway station and sold film-related merchandise. This was a great example of a retailer riding the wave of popularity associated with a film release.

These examples demonstrate just some of the ways that licensing and retail can work together to profitable effect. In the coming months and years we're sure to see many more innovative executions of a retail strategy that simply never goes out of fashion.

Rights owners and agents are more 'retail ready' than ever, so it really is a great time to go shopping for licenses!



How to get the most from Brand Licensing Europe



At BLE you have the attention of the entire industry for 3 days a year. Retailers are looking for what's hot, licensees looking for new opportunities within their brand portfolio. It is a great place to showcase what's new within our roster of world class clients.

Lisa Reiner,
Managing Director at Europe
& Asia Pacific, Beanstalk

So, you've started researching the licensing industry, identified the brands that you want to work with, visualised how product might look and have costed out the opportunity - now the fun really starts!

Now in its 21st year, **Brand Licensing Europe** is the definitive event for the European licensing industry. Whether you are a retailer, licensee or sales promotion professional, BLE is the perfect place for you to meet face-to-face with over 260+ leading brand owners, discover the hottest brands, characters, images and artwork available for license and find new partnerships that could transform your business.

BLE is an incredibly vibrant show and, to maximize your time, would benefit from a little advance planning. With this in mind, consider these useful tips :

- It's a three day show and so please don't try to do everything in one day - you won't or if you do, it is very likely that you will not have seen all the show has to offer!
- Walk the entire show - in addition to the brands you have already identified and are targeting, there are likely to be others that will catch your eye.
- The show extends across three zones - Character & Entertainment, Brands & Lifestyle and Art, Design & Image.
- Exhibitors, particularly the larger Character & Entertainment companies, tend to be very busy throughout the show - arrange your meetings at the very earliest opportunity through the brand new matchmaking initiative.
- You will have got the sense that this is a very busy show and please do not be surprised if you're offered half hour meetings by exhibitors - use the time constructively, presenting your proposal concisely such that the brand owner or agent can clearly see the opportunity. Take a look at the tips on p.9 to get prepared for the types of questions you should ask
- Educate and inform - the show runs an excellent seminar programme through so do take time out from the show floor to top up your licensing knowledge and hear insight from some leading industry players.
- Register for your free badge or find out about exhibiting at www.brandlicensing.eu

Above all, spend some time preparing your visit on the Brand Licensing Europe website www.brandlicensing.eu

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