

FACT SHEET

Licensing...

...**is** a contractual agreement between two parties which gives permission to one party to lease a legally protected entity, such as a name, likeness, logo or character from the other.

...**started** in its modern form in the 1930s when Herman Kamen obtained the licensing rights to Walt Disney properties. It has since developed into a highly sophisticated business worth in excess of \$110billion at retail sales level.

...**works by** the licensor (brand owner) fixing a royalty rate of usually about 5% to the sales of products using its name. The licensee, therefore, pays the licensor a percentage of its sales income above the pre-agreed minimum. There is also usually an upfront fee paid to the brand owner.

...**rates** (royalties) are essentially profit sharing mechanisms between brand owner and licensee. To determine an appropriate royalty rate a number of factors need to be considered: benchmarked royalty rates already in existence; operating profitability of the brand; the amount of turnover that can be attributed to the brand alone; brand strength and potential revenues the license will generate.

...**types** fall into three main categories of:

1. **Characters:** such as Winnie the Pooh or The Simpsons.
2. **Corporate:** such as Coca-Cola or Harley Davidson.
3. **Fashion:** such as Gucci or Laura Ashley.
4. **Sports:** such as Manchester United or Tiger Woods.
5. **Other:** such as Publishing, Art, Non-Profit and Music

...**has many benefits:** it's low risk, facilitates extensions into new markets or regions, increases awareness in non core markets, guarantees income from royalty payments, licensing can strengthen brand value and by taking advantage of someone else's experience it might even be more effective than doing it yourself.

...**also has risks** such as accepting there will be an element of control lost, it can be less rewarding than doing it yourself and it is possible to dilute the brand by extending into less relevant markets.

...**strategy** is best monitored by constantly analysing brand value. Creating a brand value tracker is an effective method of monitoring the health of the brand, or portfolio of brands, across different markets, products and regions.

