Brandspeak: 5 Myths About Licensing That Every CMO Should Know

Author : Jeff Lotman

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Stop me if this sounds familiar. Your **CEO** is hounding you to stretch your **marketing** budget. His boss — the board of directors — is getting pressure about cutting costs and boosting revenue. Have you heard this before?

As a chief **marketing** officer, you know all too well how every dollar you spend is scrutinized. Thankfully, a solution exists. Not only will it add cash value; it'll also penetrate new markets and… it won't cost you anything.

Let me introduce you to the world of licensing. Licensing allows a third party to leverage the equity in your **brand** to sell noncompeting products. Licensed products conjure up powerful associations that can sway consumers into purchasing what they perceive as an extension of a familiar **brand**.

Does it sound too good to be true? Let's run down the most common objections.

Myth #1: Licensing Means Losing Control

I get it: it's tough to share your name. But licensing doesn't mean you need to become **Pierre Cardin**, who had at one time over 900 licensees, including toilet paper, and who seemingly never met a license he couldn't refuse.

As the owner of an intellectual property, you can (and should) exercise complete control — over where your product is sold, how it's displayed, how it's priced, and so on. All you need is a skilled agent who can negotiate the right controls and approvals into your agreement.

Need proof? In 1995, Procter & Gamble allowed its name to be put on a Vicks vaporizer. As you can imagine, the company's teams of lawyers and marketers protect P&G's **brand** with great care. If they can sign a licensing agreement, surely you can too.

Myth #2: Licensing Cheapens Your Brand

I too once shared this concern. It's why Birkin bags are so hard to find, and you don’t see **Tiffany** Blue (or **Tiffany** ring settings) at Costco. Elite **brand**s can take years to build, but they can be ruined with one bad association.

Consider the story of **Vera Wang**; there is no doubt you think of expensive wedding dresses when you hear her name. That’s because the **design**er is considered the gold standard in high-end bridal wear.

Yet, Wang’s products at **Kohl’s** — ranging from sleepwear to shoes — make up the biggest part of her business. As Business of Fashion puts it, “Wang turned what began as a single bridal boutique into a fashion and lifestyle empire with an overall retail value of over $1 billion.” Best of all, her bridal business has not suffered from her **brand** expansion into **Kohl’s**.

Does licensing dilute the integrity of your name? On the contrary, licensing is the single best way to build your **brand** — if it’s done right.

Myth #3: Licensing Means Slapping Your Logo on a Koozie

When my mother tells people what I do for a living, she says I “slap a logo” on things. That is understandable — she just recently gave up her rotary phone — but it is misleading.

The reality is that logo slapping is not what experienced **brand** professionals do. The best **brand** extension stays true to the essence of the **brand**; it is well integrated and seamless.

So Ford wine? Probably not — but Ford-**brand**ed hand and power tools? Absolutely!

Few **brand**s have mastered this art better than **Cinnabon**. 15 years ago, this bakery didn’t sell anything outside malls and airports. Today, **Cinnabon** generates $1 billion-plus in sales and is closing in on 100 licensed products — cereals, snack bars, beverages including coffee and vodka — with partners such as Pillsbury and Kellogg’s.

How did founder Kat Cole and her team accomplish this feat? The answer: methodically, and with great precision. They did extensive consumer research, then product testing, and, finally, relationship building with partners. At each stage, **Cinnabon** execs posed one overarching question: does this prospective partner truly align with the premium quality and signature ingredients of our famed cinnamon rolls?

The result: ***Branding** Strategy Insider* calls **Cinnabon** Licensing a “best-in-class model for restaurants.”

Myth #4: Licensing Isn’t That Lucrative

This is perhaps the most pernicious myth of all. As an industry, licensing drives more than $230 billion in annual sales for the world’s top **brand**s. If these are small potatoes, then I’m becoming a farmer.

Consider **Caterpillar**, best known for its yellow construction vehicles and equipment. Did you know the company’s licensed products generate $2 billion a year in retail sales from the CAT **brand**? It’s true! Outside of the U.S., **Caterpillar** is best known for its iconic footwear — everything from sandals to sneakers and steel-toed boots. “Globally, we’re more of a lifestyle **brand**,” says Mark Jostes, a company program manager.

$2.1 billion in retail sales, 50 million products sold, and 100,000 retail outlets — if you aren’t interested in this kind of lucrativeness, I promise your competitors are.

Myth #5: Licensing Is Too Much Work

The typical way to gain new customers is by creating a new product. But this road is expensive and time-consuming. Not to mention, it often leads to a dead end. Allowing another company to invest time and resources in a new product or category launch through licensing is a much more risk-adverse solution.

To clarify: licensing is not a silver bullet. A licensed product still needs to be cultivated. A licensee will still need a distribution network, a sales force, and a **marketing** budget.

But these burdens shouldn’t fall on your **CMO** shoulders. After all, you’ve already carried out the hard work of creating the **brand**, bringing it to market, and establishing a reputation. Now the trick is finding an experienced partner who will do the heavy lifting — while you collect the royalty checks.

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