Why Focusing On Brand Licensing Will Help Your Clients Succeed

By Pete Canalichio

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In the business world, many perceive the concept of growth as being relatively straightforward. However, there are a multitude of factors that need to be taken into consideration when developing a growth strategy for your company and brand. One aspect of growth that some tend to overlook when trying to expand is strong partnerships. Through partnerships, a company can team up with other powerful and driven companies to achieve a common goal of growth and recognition. Brand licensing is a powerful example of a partnership that's also an exceptionally viable growth strategy when done thoughtfully and with the right partners.

For those who may be focusing on licensing solely from an intellectual property lens or those who may see branding as a very broad landscape, it's important to dial down a bit in order to understand the distinctions that exist within the licensing world. Licensing, of course, is as vast a landscape as branding, but by better understanding the branding side of things as it relates to licensing, it may help inform the work you do with, and for, your clients and companies.

For the Sake of Clarity, Let's First Discuss What Brands Do

In what has become an incredibly crowded marketplace, consumers are often stressed, in a hurry and looking for mechanisms that short-cut their decision-making (*i.e.*, make their lives easier). With a glut of influencers and new products and services popping up on their social media feeds every day, consumers are often hesitant to place their trust in companies who haven't yet proven themselves, and are more likely to rely on strong brands that provide recognition and familiarity. It's important to understand that brands are not just products or services. A brand can also be an event, a celebrity, a film, a TV series or a political party. Essentially, the word brand has come to mean anything that is recognized as an entity in its own right and is treated as such by both mainstream and social media.

Today, the pressure for brands to grow is unrelenting. Decision-makers seek it. Investors insist on it. Customers are buoyed by it. A growing company exudes confidence, prestige and acceptance. People want to work for companies they feel are going places, literally and figuratively. In part, that's psychological. When McKinsey surveyed more than 600 executives from developed markets, 75 percent believed that the share prices of their organizations would increase over the next five years if they pursued a new activity outside their core business.

As Laurence Capron observes, the motivation for growth is being able to claim growth, or at the very least, evolution. He tells us that "Companies must continually evolve to stay relevant, innovative, and competitive." As a result of the pressure, the pursuit of growth strategies are tied to many outcomes, such as to incorporate new strengths; add new activities; explore new territories; become more competitive; explore potential; escape convergence, saturation, stagnation or commoditization. The pressure to grow is only enhanced by the avenues to take.

Welcome to the expansion riddle. Growth, just like everything else, comes with its own risk. Standing still is dangerous, especially in dynamic sectors, but so is staying in one market, and so is diversifying into other markets. And size does nothing to lessen the riddle. In my book ***Expand, Grow, Thrive***, I reference Marc Emmer, the president of Optimize Inc., a growth consultancy specializing in strategic planning. He believes that, "The larger the core business, the harder it is to diversify, because a new business must grow at many multiples of the existing business to contribute enough margin to reduce [concentration] risk."

A Brand is an Engine

So, how do you diversify when you're expected to grow at such a pace necessary to eliminate risk?

You do so thoughtfully, and with a strategy in place. So often, companies grow for the sake of growth, not because they are actually fulfilling a need or striving to appeal to their target customer. This is a recipe for failure. Brands that thrive have a clear vision of their future in terms of direction and point of view. They are inventive in how they continually redefine what they mean to people. They are dynamic because they penetrate popular culture, create excitement, and give people ideas to discuss.

Companies looking to grow their brand should focus on what they're good at, which requires that they know themselves as a company and as a value proposition. They should have a plan to grow—not just for now, but for the long term as well. They should expand where it makes sense but only as far as it makes sense—diversify, but don't dilute. And they should expand into areas that are growing already, and know when to stop. To put it simply, when brands grow, brand licensing can be a viable growth strategy as it eliminates some of the risk associated with the pursuit of growth.

In my e-book, ***Brand Licensing Versus Traditional Growth Strategies,*** I note that it's helpful to think of a brand as an engine—powerful not just for what it is, but also for its ability to generate value literally out of thin air. A powerful brand with a proven legacy, through licensing its brand name to a product, or opting to partner or joint venture in a direction that feels natural (like it belongs with the brand or brands involved), will provide recognition, and thus awareness, for that product almost out of nowhere. The association itself is critical. David A. Aaker and Kevin Lane Keller, authors of ***Consumer Evaluations of Brand Extensions,*** found that the perceived quality of the brand in its original context was a significant predictor of how the extension would be evaluated as long as there was a fit between the two product classes. That association will then encourage consumers to give the product a try because they see the presence of the brand as a reassurance of quality. Equally, the brand benefits by introducing products to a market that not only fits with its image, but also extends that image into new areas. The story of Vidal Sassoon hair dryers illustrates this perfectly. In the late 1970s, Gerry Rubin was running a company called Helen of Troy, selling hair dryers and styling tools to the trade. Rubin had a good share of the professional hairstyling trade and was making a living, but basically the market was stalled. As he pondered his options, his father alerted him to the fact that hairdresser-to-the-stars, Vidal Sassoon, was licensing his name. Throwing everything he had at the opportunity, Rubin won the brand license. The decision paid off handsomely. His Sassoon-labeled products did $10 million in sales in their first year, outstripping sales of all his other products, and then continued to climb year on year. And while it's absolutely true that licensing has the potential to deliver on many of the growth demands for global brands, the result is often far from automatic. It takes significant judgment and sensitivity to make the wider offer feel natural and delightful for consumers. Too often, the link between the idea, the product and the brand is not thought through carefully. Ideas and brands are thrown together in what feels to consumers like marriages of convenience or greed.

The Dangers of a Brand Getting it Wrong with Licensing

Vidal Sassoon was a great example of a brand getting it right, but all too often, the link between the product and brand is broken and the product fails. For this reason, business leaders may hesitate to employ licensing for fear that their assets might get damaged or their value eroded by third-party licensees who may not know how to treat them or lack the inherent desire to do so. These are all valid concerns, as there are indeed challenges brand owners face in making the decision to license their brands. But there is also an incredible opportunity for growth through licensing, and if done correctly, a brand owner can mitigate risk by guiding and influencing the brand's licensees and, in turn, strengthening the brand and growing their overall business. Brand licensing is a partnership many companies have never considered.

Let's look at LEGO, an iconic brand, for a moment. The following is an example of how brand licensing went wrong, and what LEGO did to fix it.

Convinced that their core audience wanted toys that offered instant gratification, LEGO began moving away from its core product, iconic building blocks, into theme parks, children's clothing, video games, books, magazines, television programs, and retail stores, all in the name of growth. However, by 2003, the brand was in serious trouble. Turnover was down 30 percent year on year. The following year, sales fell another 10 percent. Still, the research told them they were doing the right thing. Further swayed by this data, "LEGO was [even] considering dumbing down its toys, making the kits simpler and even perhaps increasing the size of its iconic brick."

Thankfully, LEGO started talking to LEGO customers and realized that young users wanted LEGO kits to test and simulate themselves. LEGO rethought its growth strategy and was able to return to prosperity with a renewed understanding of their ideal customer.

The Growth Benefits of Licensing

As both Vidal Sassoon and the reimagined LEGO licensing illustrate, when brand licensing is done right, magic happens—in a consumer's mind and in a company's bottom line. We have the data that shows the size of the licensing industry and the hundreds of successful programs operating today. According to Business Research Insights, "With a market size in 2022 of $315.5 billion globally with a growth rate of 8 percent over the prior year, the brand licensing industry is projected to reach $384.5 billion by 2028 and grow to $422.6 billion by 2031."

Brand licensing, although frequently seen simply as the renting or leasing of a brand, has in fact exhibited characteristics of an effective and viable growth strategy. More often than not, brand licensing is pursued as an attempt to further grow the brand into unreachable avenues. Companies of all types and sizes can endure challenges that taint growth, yet with a brand licensing growth strategy, organizations are able to overcome such difficulties and enter into a state of optimized growth. So, is brand licensing a viable growth strategy? It sure is.

In my next article, I'll dive into my signature LASSO framework, which I co-created with Mark Di Somma. The framework offers a novel way of looking at brand expansion, and serves as a model to help companies and individuals figure out if their brand is over-optimized, optimized or under-optimized. If you want to learn if a brand is scalable or not, you can take my quiz here: *https://petecanalichio.com/LASSO/*. ■

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