

How to Win a License... Without Breaking the Bank

by Nancy Zwiers

If you're marketing to kids, chances are you've thought about the added value a strong license could bring to your business. Perhaps you are one of the lucky ones with your own brand and a license would provide "borrowed interest" to give added top spin or on-trend relevance. Or, perhaps you are in the low-margin commodity side of the business and are looking for ways to shore up your margins, or to simply get listed with the top retailers. Whatever the motivation, a strong license often represents an attractive possibility.

How do you choose the right license for your product or brand? Despite the myriad licensed properties being touted at this month's Licensing Show, only a select few licenses are actually being merchandised by the top retailers.

Last year's *Funosophy Instore Insight* report, covering Wal-Mart, Target, and Toys "R" Us, showed that in one heavily licensed product category, the top 10 licenses (as represented by their SKU count in that category)

accounted for more than 80 percent of the total number of licensed SKUs in the category. Yikes! What happened to the other thousand wannabes?

The implication of this startling fact for potential licensees is downright scary: to ensure distribution, you'd better go after the very best licenses—that's right, the ones that everyone else is vying for, too.

And yet, how can you get the hottest licenses for your category? When pitching a license, there are four main assets—competitive advantages, if you will—that a manufacturer can potentially bring to the table as a non-incumbent challenger. Three of them are more top-of-mind than the fourth but unfortunately, they are harder to come by.

- Potential Advantage No. 1: having virtually assured distribution, based on already "owning" significant shelf space in your category

- Potential Advantage No. 2: having a unique and/or proprietary product that isn't available elsewhere

- Potential Advantage No. 3: offering financial terms that beat out the other potential licensees' terms (though you never have complete information on this front, so you often end up negotiating against yourself based on fear of losing out.)

The fourth asset a potential licensee can bring to the table is available to anyone—and this is the asset that we consider a secret weapon, because it is often not fully leveraged. We have seen this advantage win the day in many competitive pitches:

- Potential Advantage No. 4: offering up a compelling vision for growing the business through a truly innovative

product strategy and/or merchandising

How do you go about crafting a compelling business-building vision?

It starts with putting yourself in the consumer's shoes and looking at the license with fresh eyes. How does the consumer relate to the property? What makes the license special—how does it fulfill a consumer's hopes and dreams, fantasies, and hot buttons? What role does the license play in a consumer's world? What dimensions of the license offer possibilities for doing things in a uniquely proprietary way?

Next, standing in the same consumer's shoes, look at the product category. What are the consumer's needs and wants as it relates to the category? What play

patterns are most important? What are the secondary play patterns? How can play patterns be combined or broken apart?

What other factors come into play and how—medium, scale, technologies, form factor combinations, etc.?

Finally, look to the status quo at retail and ask yourself, "What hasn't been done yet that will resonate with the consumer?" Look to other categories for inspiration, leveraging lateral thinking. How can multiple ideas be pulled together into a singular vision that rises above the status quo? How can this vision be "branded" or merchandised in a way that is uniquely suited to the license?

Once you've developed the vision, you need to create a tangible expression of that vision—in other words, "show, don't tell." This becomes the heart of your pitch. You summarize the retail situation, state your vision, show how it could work, reinforce key benefits, and "ask for the order!"

On a final note, the reason a licensor will choose a business-building vision over a high guarantee that is not backed with a vision is this: Regardless of how high the contractual guarantee is, if actual sales don't support it, that guaranteed royalty stream is ultimately unsustainable. Conversely, when the business is healthy and growing behind a well-executed vision, the royalty stream is not only growing along with sales, but it is inherently sustainable over time. Bottom-line: everyone wins when the business grows. ■



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