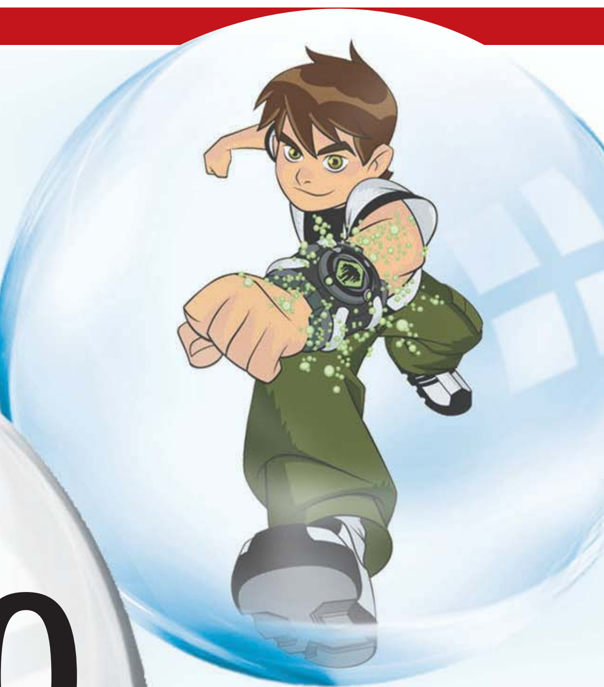

LICENCE TO GROW

Brand licensing in India takes off as marketers begin to invest in developing indigenous properties

ILLUSTRATIONS: AJAY MOHANTY

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Consider the following:

- The worldwide market for licensed products stood at $186 billion in 2012; at $125 million, India accounts for only a tiny fraction of worldwide sales.
- More than 40 per cent of retail sales of licensed merchandise in Asia is based on indigenous properties. US/Canadian properties dominate close to 60 per cent; indigenous product sales is 35 per cent in Europe and 11 per cent in Latin America.
- Fashion brands lead retail sales of licensed merchandise worldwide with 23 per cent of the market. But the picture changes dramatically country-to-country, with entertainment/character accounting for bulk of the sales in India.

All of these trends spell opportunity — but the road to licensing success can be bumpy. First, Indian brand owners are just beginning to learn the ropes. Second, there seem to be more misses than hits so far. But the good thing is the groundwork has been laid. Growing consumer acceptance of licensed properties and the willingness among brand managers to experiment with newer sources of revenue are the obvious triggers.

The biggest impetus, however, comes from the rapid growth in organised retail in India, say experts. "The missing link for the growth of brand licensing has been the organised retail," says Jiggy George, founder and chief executive of **Dream Theatre**, a brand licensing agency, which represents Angry Birds, Power Rangers and Warner Brothers' consumer products In India. "Though organised retail is still 10 per cent of the overall retail business, the opening up of the sector to FDI will ease the way for international retail into India, which in turn will help this business grow," says George. Little wonder, a whole range of professional agencies like Bradford, Wild East Group and Dream Theatre already thrown their hats into the ring.

A lot is brewing already. The forthcoming Bollywood film *Krrish 3*, which chronicles the adventures of the eponymous superhero, is already expected to generate ₹18-20 crore via sales of branded merchandise, licensed online games etc. Plus four animation films will be released on Cartoon Network to generate buzz. Then there will be apparel, stationery, toys and other products to capture the young children, the film's target audience. While Dream Theatre has the licence to introduce the merchandise in India, Carving Dreams, the talent management agency that manages Roshan's endorsements and deals, has tied up with licensing agency Wild East Group to bring out a range of Hot Wheels toys for boys in the 5-10 age group in association with global toy maker Mattel to coincide with the film's release.

Though *Ra.One* reportedly spent upwards of ₹50 lakh for merchandised products alone, trade analysts say that *Krissh 3* is the biggest brand licensing deal so far in the Indian film industry.

It's not just Bollywood; take a look at the shop windows on your next trip to the neighbourhood mall and you will find them all around you. Angry Birds footwear at popular shoe store Bata, Tom & Jerry bed sheets at Shoppers Stop, Dora hair accessories at Mom&Me, Superman tees elsewhere... the list is endless. According to Chitra Johri, VP, **Bradford License India**, the brand licensing story began to unfold a couple of years ago when brands began to see it as a new source of revenue.

The issue is to this day the whole idea of licensing in India seems to be stuck in a narrow groove. The bulk of the licensed products comes from well-known international brands and most of the indigenous activity is tactical in nature — a ZooZoo here or a *Jadoo* there — and limited to products aimed at children. Indeed, many feel brand licensing, especially in the kids' space, works better than bringing on board a brand ambassador who will cost more and won't always promise commensurate returns.

Of course, there are examples of long-term relationships from other markets — take Knoll (the US-based home and office furniture manufacturer) and Godrej; Arvind Brands, which represents Wrangler, Arrow, Nautica, Jansport and Kipling in India; or the Murjani Group, licensee for FCUK and Tommy Hilfiger — but they are few and far between and overshadowed by the hullabaloo in the kids' toys and accessories segment.

So getting into this market should be like shooting fish in a barrel, right? Not really — first, because it's a long haul, and second, it is, after all, a partnership and therefore not an easy thing to crack.

What works, what doesn't

Before you dive headlong into the business, it is crucial to understand just how the business of brand licensing works. At its most basic, licensing is a contractual relationship between a brand (technically, the owner of the property), known as the licensor, and a licensee, usually a manufacturer or retailer who develops and distributes a product or service under the brand name. Typically, it works on the 'licensee' promising to give the 'licensor' a minimum guarantee on sales along with a royalty that can range anywhere between 10 and 30 per cent. A large chunk of the deals are struck for three to five years largely as tactical tools to create buzz around a certain product or franchise (anything less than that should be avoided as far as possible, say experts; else the lincensee may be stranded with unsold inventory). But the bigger and the more lucrative ones can be stretched over a couple of decades.

Sid Shah, founder, **Wild East Group**, which began its operations in India almost three years ago, and looks after brand merchandising of Kolkata Knight Riders, Hrithik Roshan, Yash Raj Films (the agency launched greeting cards for NRI consumers in 10 international markets based on popular music, dialogues and stills of YRF films) explains why managers need to take a long view. He says getting even one client on board takes about a year's worth of preparation. A year's investments to sustain the company is vital. Ideally, getting three to four clients on board is considered necessary in the first year and the agency needs to do consumer research, gather information and educate the brands to understand the business of licensing and brand extension, explains Shah. "Even after one gets the clients on board, it takes 12-18 months to actually get products rolling into the market," he adds.

Managers also need to prepare dedicated 'style guides' (explaining brand extension), thus, laying out the roadmap. "The first thing to remember while extending a brand — whether through licensing or otherwise — is fit," says Johri of Bradford that is licensing Diamond Comics' popular Indian characters Chacha Chowdhary and Saboo. Angry Birds, for instance, already has 700 products — from shows to toys to mobile accessories — at retail. To be sure, 30 per cent of the overall revenues for Angry Birds come from merchandised products. The retail points are a mix of e-commerce sites and traditional brick-and-mortar retail stores in tier-II and tier-III cities besides the metros.

George of Dream Theatre says that for licensing to take off it is important to get out of the comfort zones. Instead of concentrating just on 'character' licensing, managers should look for opportunities in categories like sports, fashion, celebrity etc. Celebrity licensing is a big deal globally. Take Coty Inc, one of the world's leading makers of beauty products based in France. 80 per cent of Coty's perfumes fall under licensing agreements and now account for around 10 per cent of net revenues.

It will be a while before Indian brands get there but that's the only way to grow. The reason: film-related tie-ups in brand licensing have a shorter shelf life. "A short-term approach is not bad. While film-related deals allow visibility, the business upside is limited by the risk of licensees getting stuck with unmoving stock," says Gaurav Marya, region head, India, **Licensing International Manufacturers' Association**. India's biggest indigenous licensing success story, in his view, belongs to Chhota Bheem.

Rajan Amba, global marketing head, **Titan Industries,** says that a successful brand licensing programme is one that benefits everyone in the value chain — the brand, the distributor, the manufacturer, the retailer and, of course, the end consumer. When Titan tied up with Marvel's super hero Iron Man (to coincide with the release of *Iron Man III*) to bring out a range of watches under its Zoop brand, it was aimed to build new imagery around the brand and allow it to mature. Till then Zoop had a 'kiddy' brand image. The company wanted to extend its appeal to a more mature 22-24 age group. The tie-up not only helped in revitalising the brand, it increased footfalls in the Titan watch outlets. While Zoop will continue rolling out Iron Man watches for the next couple of years, for Turner International, which has a host of licensed brands through its Cartoon Network and Pogo channels, brand licensing is a major revenue driver. Says Gaurav Brar, director, Cartoon Network Enterprises, South Asia **Turner International India**: "We are monetising because we continued growing our brand licensing programmes." Ben 10, the channel's popular cartoon character, has started ticketed live events now, six years after its merchandise hit the retail shelves.

Coming back to where we started: why aren't locally-developed properties taking off? "(The lack of) brand awareness has prevented Indian characters from doing as well as their Western counterparts," says Sridhar Samu, assistant professor of marketing, **Indian School of Business**. "Indian characters and brands are limited to the Indians living outside. There has been no penetration outside these segments."

That is where we will see most of the activity in phase two, say experts. ♞

TOP TEN GLOBAL LICENSORS

1 DISNEY CONSUMER PRODUCTS
2 ICONIX BRAND GROUP
3 PHILLIPS–VAN HEUSEN
4 MATTEL
5 WARNER BROS. CONSUMER PRODUCTS
6 NICKELODEON CONSUMER PRODUCTS
7 HASBRO
8 SANRIO
9 MAJOR LEAGUE BASEBALL
10 THE COLLEGIATE LICENSING COMPANY

Source: License! Global