UNDER EDITORIAL CONSIDERATION

Is Licensing in Your Marketing Tool Box?

By Mary T. Morgan and Karen Raugust

If you want to build a brand's value today, you must consider a wider range of tools than ever before. Licensing is one of them. It works hand-in-hand with other brand building programs—including advertising, promotion and public relations—to support brand exposure or brand extension efforts. It is not an end in itself, but rather a means to fulfill your brand's strategic goals.

Licensing is the act of granting to someone else the rights to use your brand and/or its associated images, under your supervision, in return for compensation. It is an effective tool for either brand exposure or brand extension, but should be utilized only if it makes sense in your total brand plan and if it works integrally with your other brand support tactics.

As one of many brand exposure programs, Coca-Cola has licensed its logos and advertising images, past and present, to external manufacturers for products ranging from glassware to apparel to stuffed polar bear toys. Coca-Cola keeps its brand and associated images in front of consumers in every environment that could influence their choice of refreshment now and in the future.

In addition to helping build exposure, licensing is a viable method for brand extension. Brand extension occurs when you expand an established brand name beyond where it has historically competed. Brand extensions fall into two general areas: line extension (when your brand is used to enter a new market segment in an existing product class) and category extension (when your brand is used to enter a new product class or sector). Licensing is one of several ways to execute either of these strategies.

General Mills effectively uses licensing as one component of its extension efforts for Betty Crocker. In the area of line extension, its tactics have included internally developed and manufactured new products and brands, as well as new products and brands established through licensing relationships. It internally developed and manufactured new products such as Betty Crocker ready-to-eat frostings and new sub-brands such as Sweet Rewards reduced fat products by Betty Crocker. Meanwhile, it acquired licenses to establish new co-branded items such as Sunkist lemon bars by Betty Crocker and new ingredient-branded products such as Betty Crocker Supreme brownie mix with Hershey's chocolate.

The company's category extension tactics have included lines developed both in-house and through licensing. General Mills internally developed and manufactured new sub-brands such as Pop-Secret and Hamburger Helper by Betty Crocker. Also, it licensed the Betty Crocker brand to external manufacturers for related products in nonfood categories such as Betty Crocker bakeware produced and marketed by Wilton Industries. Consumers associate all of these products with the Betty Crocker brand, extending its presence into new sectors and broadening the scope of the Betty Crocker brand from homemade baking products to at-home kitchen solutions.

Some brand owners ignore licensing out of inexperience or fear of losing control of their brand. Those who take steps to alleviate these concerns—such as educating their staff about the role and purpose of licensing and establishing systems to ensure product quality and brand integrity—are able to successfully include licensing among their brand marketing tools.

We can all learn from the Coca-Colas and General Millses of the world. They understand what their brands mean to consumers and recognize their brand equity as an asset. They aggressively utilize the contents of a fully stocked marketing tool box—including licensing—to optimize brand value, year-in and year-out.

About the authors

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