

Licensing In and Out

For The Brand Liaison's Steven Heller, opening doors and closing deals isn't just a company tagline.

By Jamar Laster, Editor in Chief



SOMETIMES, LIFE AS A DEALMAKER can be pretty good. People tend to value a person with connections. The proverbial straw that stirs the drink. The glue that brings — and holds — a transaction together.

Steven Heller is just such a person and that's why he's at the helm of The Brand Liaison, a full-service licensing, brand extension and brand management agency that focuses on creating new revenue streams for its clients through licensing, strategic partnerships and other brand-extension programs. And with more than 20 years in the licensing business, Heller, the company's founder and president, has the knowledge, expertise and contacts it takes to connect manufacturers with brands and vice versa.

"There are other licensing agencies out there, but what sets [The Brand Liaison] apart is our team of top-level experienced personnel and a very deep Rolodex," he says. "As a result, we have built a strong reputation as a leading licensing and brand-management agency where all of our clients receive top-level attention."

That attention also includes a full suite of services, including fashion, celebrity and sports licensing — among others — in categories from apparel to automotive, and everything in between. SportsFan Retailer recently sat down with Heller to discuss sports licensing, out-of-the-box deals he has done and more.

SportsFan Retailer: Just so we are clear, can you define the term "Licensing" for our readers and maybe give an example?

Steven Heller: Basically, licensing is where one company that owns certain intellectual property (like a brand name, trademarks or copyrights, such as the NFL with its team names and logos) gives another company the right to make and sell products with that brand name and logo for a limited period of time in return for payment of a royalty. This is accomplished through a contract called a licensing agreement, which sets forth all of conditions that the licensor might require. For example, these conditions include the royalty payments, maybe minimum guarantees and performance

standards, but also what products they can sell under the license, territory restrictions, channels of distribution, the term or duration of the license, renewal options and lots of other details. I have seen licensing agreements anywhere from 5 pages to 50 pages — or longer.

SFR: Describe the services that your company offers for brands, licensors and licensees.

Heller: We have a few distinct divisions and specialties, but it's all about helping businesses expand through licensing and collaborations, either as licensor or as licensee. I like to refer to this as "Licensing Out" and "Licensing In." Licensing Out is where we represent the brands — the licensors — and we license their brands to manufacturers of various products. Take, for example, our client Loudmouth, which started as a golf clothing company. We helped them create licenses for dozens of new products, from golf bags and equipment to items completely unrelated to golf, like bedding, pet collars and leashes, notebooks, travel mugs and even luggage featuring the bold Loudmouth

patterns and prints. We “license out” the Loudmouth brand.

Licensing In is where we represent the licensee — the manufacturer — looking to bring in a new brand for their product. This includes big companies with several licenses, or companies just starting to explore the world of licensing. Right now, we are working with a company in socks and underwear, and a company that manufactures cell phone covers, and they want to put a brand name on their product — whether that be a sports brand or even a fashion-designer brand. We help them identify the right brand, based on their product and channels of distribution, and then we get that license for them — and get the deal done. So that’s our tagline: “Opening doors and closing deals.”

SFR: So, you represent both the licensors and the licensees?

Heller: Exactly, but usually not in the same transaction (although we have placed some of our brands with some of our licensee clients). I often say we are a lot like a real-estate broker. Sometimes, we represent the seller, and all the buyers and other brokers come to us. Sometimes we represent the buyer and we look at dozens of other properties until we find the optimal match for our client. But this is big business — it’s not just about finding the “right house in right neighborhood.” We need to be sure the business terms are right and that it leads to “accretive revenue” opportunities for our clients. There is a lot of financial modeling and evaluation in this process, as the stakes are high and there’s a significant commitment.

SFR: What do you mean by the term “accretive revenue?”

Heller: Although it’s complicated, the concept is pretty simple. When we represent a manufacturer, our client needs to make more money with the licensed product than he would without the license. We need to consider royalties, advances, minimum guarantees and so many other factors, so that at the end of the day, we can be sure that he will make more profit based on having the license than without the license. So I call this accretive revenue, and it usually requires one of three things: that they can sell a lot more product; that they can sell new channels of distribution — stores that they wouldn’t otherwise sell to; or that they will be able to sell at a premium price point. In other words: Can they sell the licensed product for more money than the non-licensed counterpart, pay the licensor the royalty and still have more profit left over? That’s accretive revenue.

SFR: What specific services do you provide to companies in the sports licensing industry?

Heller: Sports licensing has become a major focus for our company and we have even added specific consulting services for companies involved in, or looking to get involved in, sports licensing. For manufacturers, we provide very thorough consulting services in connection with evaluating the sports licensing opportunities, whether it is collegiate, professional or other sports brands. We look at the costs and business planning, and if it’s right, we assist the manufacturers in the complete license-acquisition process from

start to finish. It’s a complicated process. We have been through several of these so there is no learning curve. Once the license is completed, we have some strong contacts for sales and distribution.

SFR: How many sports licensing deals have you done?

Heller: Way too many to count, but easily into the hundreds. I believe that at the moment, we represent close to a dozen companies or brands in the sports licensing world — and across our team, over our careers, we have been involved in many high-profile deals in sports licensing. I have already mentioned licensing for Loudmouth. We also represent Rolland Garros, The French Open tennis brand, the LPGA, and several other clients as licensees, with licenses or private-label deals with the NFL, NBA, MLB, NHL, NASCAR, and we have been involved in deals with the PGA, LPGA, FiFA, World Cup Soccer, Converse, Pony, Everlast, Nautica and many others. I could keep going ... in fact, it’s hard to even draw a line where sports brands end. Would you consider a brand like Hobie, Body Glove — or even Nautica or Lacoste — as sports brands?

SFR: What’s the most the unique deal that you did in the past year in sports licensing?

Heller: Personally, I am very proud of how we have expanded the Loudmouth brand beyond sports into lifestyle products like luggage and bedding. Within the sports licensing world, I love the fashion-forward product from our client, Spirit Activewear. They are the originators of that oversized puffy-

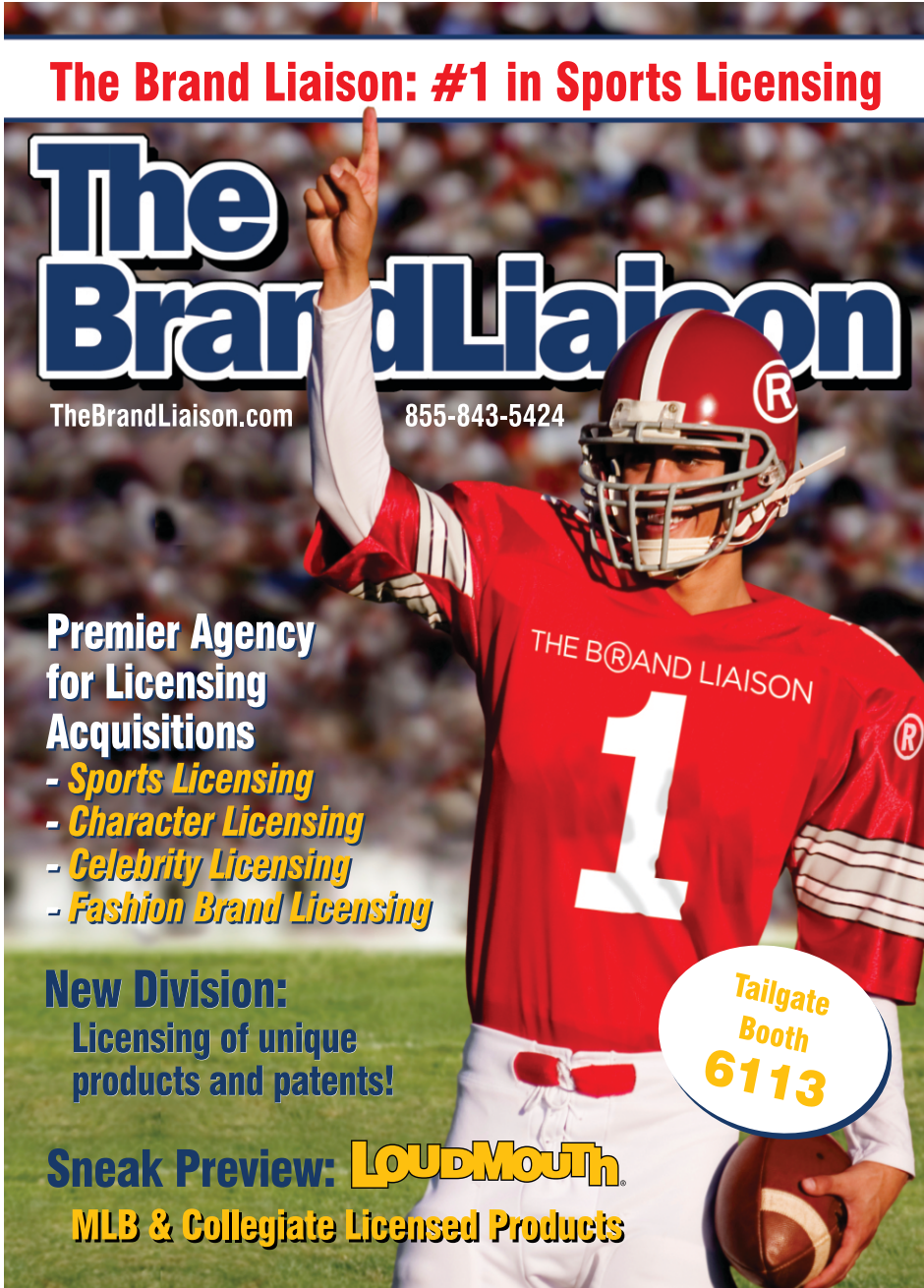
letter sweatshirt, and we represent them for licensing. We worked with them to get college licenses and now the NFL players' names. This is a very cool product. And we represent a few unique patented novelty concepts for which we are applying for collegiate and professional licenses.

But, the most creative, out-of-the-box project in the past year is our collegiate nail-polish deal for Forsythe Cosmetics and Miss Fanatic. Forsythe is a huge nail-polish distributor, with "Made-in-America," exact PMS color-matching production capabilities. We helped them put together a joint venture with Miss Fanatic, a female licensed apparel brand, and represented them in acquiring the major collegiate licenses for nail polish and nail art, with the college colors and logos.

SFR: What are the advantages of using The Brand Liaison's services, as opposed to licensees and licensors working directly with each other for licensing deals?

Heller: We are on the front lines, and we stand by our clients throughout the process and beyond. We have seen it all, so we know exactly who to go to, what the deal terms should look like and where the pitfalls are. We, therefore, take a lot of the risk out of this process for our clients and provide significant benefits. Eventually, the ultimate deal is still a contract between licensor and licensee; we just help to get it done expeditiously and on favorable terms.

SFR: What are some unique considerations that must be made when working with the leagues (NBA, NFL, MLB, etc.)?



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Heller: First, it can be expensive, with advances, minimums and guarantees. So we always want to watch the dollars and make sure the deal makes sound financial sense, and that the licensee is prepared to take on that responsibility. Second, in order to get approved, you need to have a tightly run ship. The leagues you mentioned — collegiate included — are used to dealing with top-tier companies with excellent designers, sourcing, quality control, sales, etc. They expect that level of

competence. So we pay attention to the small details in product approvals, sampling, reporting — all that stuff needs to be smooth sailing. These guys are so busy with so many licensees, the last thing you want to be doing is making someone's job harder. And they look for this experience and professionalism when they are deciding whether or not to grant a license.

SFR: What are some of the challenges of brokering deals

**between licensees and licensors?
How do these challenges change
as the licensing industry evolves?**

Heller: This question is really broad because there are so many challenges. Every deal is different, and every deal has its own unique challenges and issues. I often say that licensing is a lot like a marriage — and I say this not only because we represent the premier wedding expert, David Tutera of the hit TV show “My Fair Wedding.” But seriously, the licensor and licensee need to be on the same page, with the same goals. When you look for a spouse, there has to be chemistry, commonality, you want to live in the same climate, have a similar number of kids, etc. It’s the same for licensing. Look at chemistry and commonality; do the people that need to work together mesh? Are the companies similarly sized or is one a giant and one a startup? Do they have the same vision for the products? Are their sales goals and program expectations in line? Do they have similar goals for performance standards and channels of distribution? Where will the product be sold? It won’t work if the licensor believes their product should be at Nordstrom and the licensee is looking to sell at Walmart. Neither one is right or wrong; they just need to be consistent.

This is where our experience in knowing what to look for and how to present these deals is a big advantage.

And another stumbling block, which should not be overlooked, is product design. This is a major area where we have seen a licensing deal go off course — where the licensor feels that the licensee “just doesn’t

get our brand.” This is the nature of the relationship and it hasn’t changed much over the years. We just have a better sense of what to look for.

SFR: Are there any challenges specific to the licensed sports product market?

Heller: Like many other segments of today’s retail markets, the sports licensing world is very crowded and competitive. But in sports licensing in particular, there are very rarely exclusive licensing deals. This adds to the level of competitiveness and, as a result, manufacturers need to find ways to distinguish themselves in crowded markets.

SFR: How would you advise a new client to distinguish itself in this competitive environment?

Heller: You want me to reveal my tricks? I can only give you some general information because every deal and every company is unique. But in each case, we would work with our clients to find distinguishing factors in their product or their channels of distribution, or both. Those are the primary areas that I know at least some of the leagues are looking at when considering new licensees.

Here’s a great example: We have a client, My Owners Box, that does home storage and some storage furniture. There was really no one else in the home storage space focusing on sports licensing. So we had a unique product and then we focused on selling to the furniture stores, home goods and home-improvement chains. We were successful in attracting major

league licenses because we found alternative channels of distribution that others were not focusing on.

SFR: Do you have any other tricks that you want to share?

Heller: You are really putting me on the spot. A magician should never reveal his tricks. But OK, one more. It’s a strategy I love for our manufacturers to create product that will stand out in this competitive environment. It’s a concept known as co-branding or collaboration, which involves putting two brands together and — when done correctly — results in a unique, highly desired product that cannot be duplicated. For example, in the early 2000s, one of my companies was working with Converse when that company created a collaboration with John Varvatos. It elevated both brands. I’ve seen T-shirts with Warner Brothers characters like the Tasmanian Devil wearing NFL and NBA clothing. And our client, Loudmouth, couples their bold prints in university colors with their collegiate licenses and their Major League Baseball license. Loudmouth even has a Hello Kitty license with Hello Kitty wearing Loudmouth and holding a golf club! You can’t touch that even if you had the Hello Kitty license. It’s unique and highly desirable because of the combination of two popular brands. That’s creativity and co-branding at its best. And we are always looking for creative angles to do this for a lot of our clients.

More information:

www.TheBrandLiaison.com