What is brand licensing? The complete brand licensing definition

Category: Branding
written by Stewart Hodgson | 12 September 2022
What is brand licensing, and is it something you should consider for your company? If you're looking for a rapid way to increase brand awareness and sales opportunities, brand licensing could be a valuable tool.

Perfect for helping companies to scale, a brand licensing strategy extends your products and services to new landscapes through partnerships.

While many modern business owners want to get their items to as many potential consumers as possible, they won't always have the time or manufacturing capabilities to achieve this goal. Brand licensing is a solution intended to solve this issue.

The concept works by allowing companies to grant permission for other businesses or resellers to use their intellectual property. This could mean lending your software, patent, or brand name in exchange for royalties.

Here's everything you need to know about licensing a brand…

What is brand licensing? How to define brand licensing

To answer the question, "what is brand licensing" we need to define brand licensing and it's unique nuances. Essentially, the act of brand licensing is leasing a copyrighted or trademarked property for use in connection with a promotion,

product, or service.

Modern brand owners lease software, patents, and even mascots or characters to other companies. This allows licensees to re-sell the intellectual property, or manufacturer merchandise related to the item.

Think about all the McDonalds Happy Meal toys you see from other major brands, this is an example of what brand licensing looks like.

McDonalds gets a licensing agreement to use assets like Sonic the Hedgehog or Trolls in its meals, which spreads brand awareness for the licensed brand, and boosts sales for the licensee.

Brand licensing helps smaller businesses to increase their revenue, by giving them access to something with an existing impact on the market. At the same time, the licencing company also gets more sales and brand reach.



Brand licensing categories and brand licensing verticals

Brand licensing isn’t a new concept. There are plenty of great examples out there already. For instance, if you’re familiar with the “Funko” toy brand, you’ll know the company produces versions of characters from existing movies and franchises.

The organization’s entire business plan is built around the ability to leverage licenses.

Here are some brand licensing categories you may be familiar with:

Brand and trademark

It’s possible for companies to give other organizations the rights to a brand name or logo, known as a trademark. For instance, independent restaurants and stores can use the “Coca-Cola” brand mark on their beverage machines to highlight a product available for sale.

These partnerships generate millions in extra revenue for the larger brand, and help the smaller company to reach their customers.

Patents

Patents offer access to intellectual property otherwise protected from commercial use. Allowing another business access to a patent means they can produce products and services built on another company’s design.

For example, anyone who wants to create a weighted children’s sipping cup will need a patent from the Lollacup Company.

Characters, entertainment, and art

Characters and art are other forms of trademarks businesses can license. Disney is a great example of this. You can see

Star Wars and Marvel characters on merchandise around the world, and they're not always delivered by Disney stores.

These trademarks can also pass into entertainment. Disney licenses TV shows, music, and movies, to increase potential sales.

Software

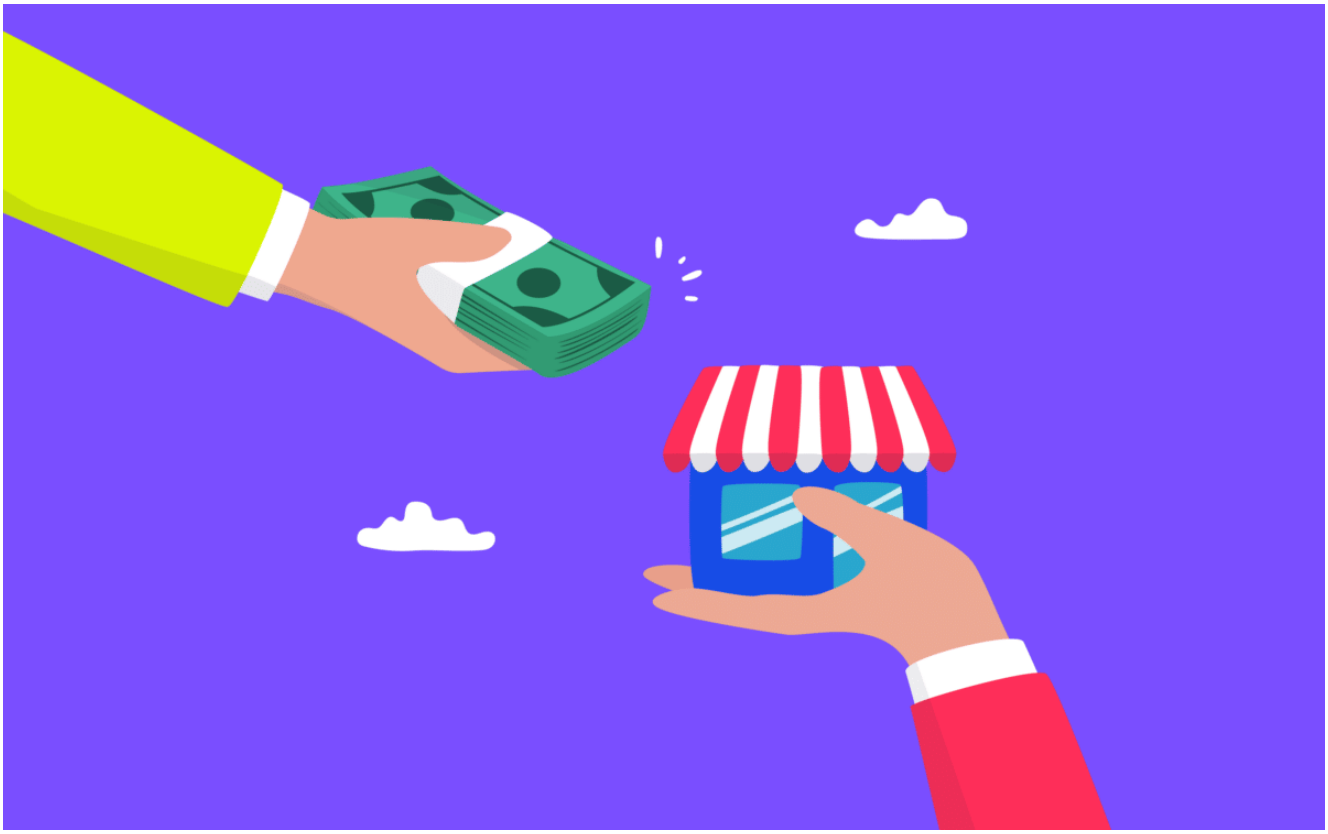
If you pay to use a software, you're buying either a team or single-use license. While you can't sell the software to anyone else, you can still leverage the technology.

Some companies do provide "resell" licenses to other companies who want to access features of the software available to serve their own customers.

Sports

The licensed sports market is huge. There are countless different products out there which showcase logos and names from major players in the sporting industry.

Manchester United makes around $115 million from its licensing agreements every year. Sporting licenses work similarly to art or trademark licenses.



What companies use brand licensing?

When answering the question, “what is brand licensing?” you’ll find a range of different examples of companies using this strategy to generate growth. Licensing is a brand extension and marketing tool used by everyone from major companies to smaller businesses and sports groups.

Licensing can help extend brands into new categories and target audiences. It’s also a great way for brand owners to gain more attention for new products. As an added benefit, the licensee selling the new product can increase its own product portfolio.

We can see a huge selection of licensing examples throughout the standard business world. You’ve probably seen cereal boxes which use the logos of famous cartoon characters, or characters from the Walt Disney franchise.

The most common companies to utilize brand licensing include:

- Major corporations like Pokémon and Disney.
- Sporting groups like the NBC or the Football League.
- Musicians and artists with their own personal brand.
- Influencers with personal brands on social media.
- Software companies and technology creators.

The smaller companies acting as “licensees” can fall into a number of categories too. There are countless restaurants, miniature businesses, ecommerce brands and SaaS vendors all offering enhanced products based on licensing deals.

Why is brand licensing important?

While brand licensing isn’t ideal for every company, it can be extremely beneficial for both of the companies involved. From a licensee perspective, you get an opportunity to offer your customers something more enticing, by working with a brand or influential company you know they like.

The benefits of brand licensing include:

Brand reach

Licensing your brand means forging a connection with another business, and opening a new avenue for sales. When you partner with another company, you gain access to their customers and audience, and the licensees get the same deal.

Market penetration is much easier when you’re working with existing companies to spread awareness.

Relationships

As your brand grows, licensing can be an excellent way to forge deeper relationships with your audience. The more you appear across a range of stores and product lines, the more familiar your brand identity becomes.

At the same time, licensees get a chance to boost loyalty and

credibility by showing their connection with a more established and well-known company. It’s a win-win for relationships.

Additional revenue

A brand licensing agreement is excellent for opening new doors for revenue. Licensors receive royalties for every product sold.

At the same time, the company selling the licensed products can increase their sales by offering something more enticing to their target audience, and promoting new campaigns.

Brand protection

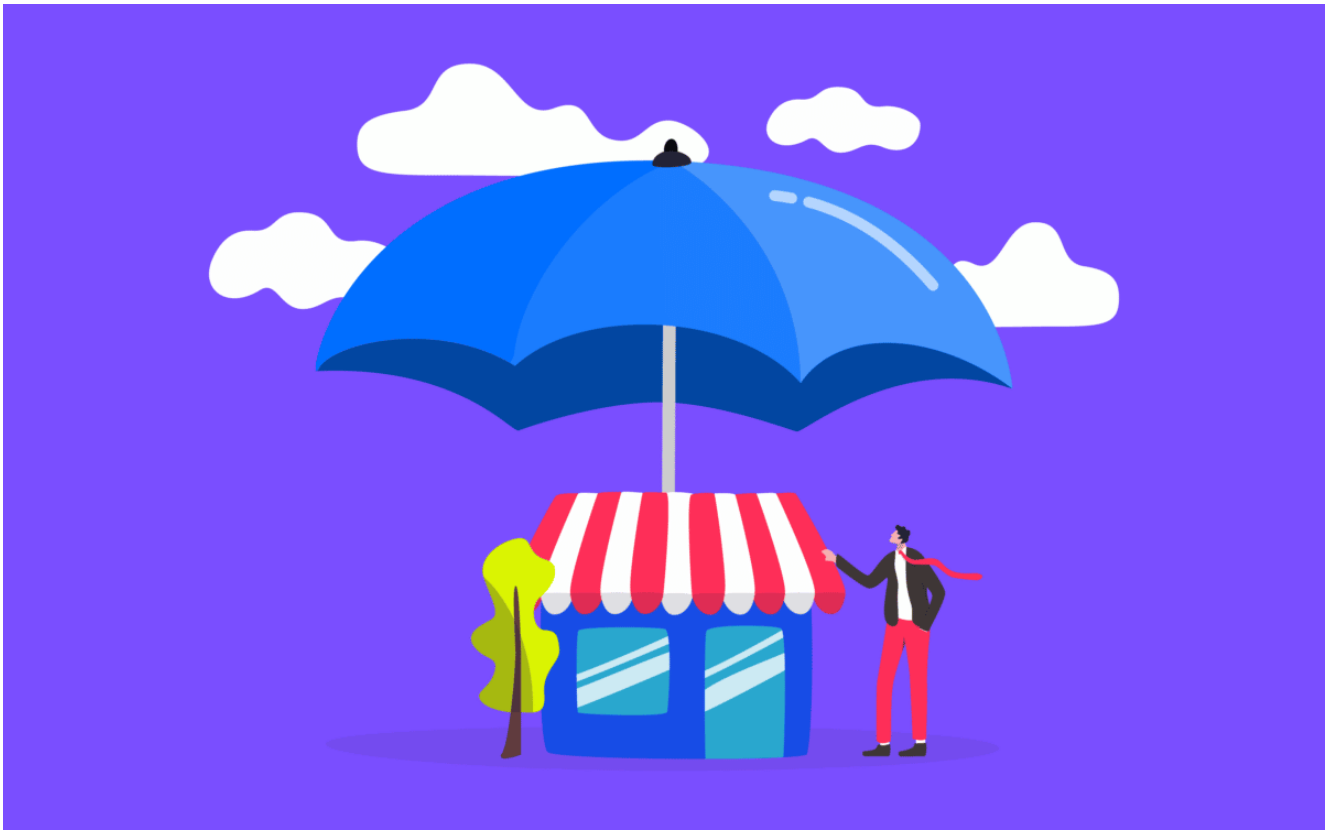
When a business grows to exceptional heights, it often prompts other companies to try and steal some of their success. There are countless “knock-off” versions of popular trademarks out there.

A brand licensing agreement is a good way to keep these to a minimum. By setting up an official agreement with another brand, you can have more control over how other companies use your assets.

Experimentation

Brand licensing is an excellent way to experiment with new product categories. You can break into different industries and leverage the manufacturing and distribution capabilities of another company.

This accelerates your opportunities for sales, while keeping the risk relatively low.



How to license a brand: The basics

Examples of brand licensing are available all over the world. However, it’s worth noting not every business approaches this concept correctly. If you’re not careful, you can easily end up damaging your brand reputation and your relationship with your audience.

When licensing a brand:

1. Protect your intellectual property

Protecting your IP is crucial when you’re working with brand licensing teams. The last thing you want is to give your licensees too much access to your assets without anything in return. Usually, it’s a good idea to work with a lawyer who has specialist knowledge in managing intellectual property.

Ensure your brand’s assets are protected, copyrighted, or trademarked from the outset, so you can maintain full control over what other people can do with your brand identity.

2. Do your research

Licensing your brand can be a complex process. You'll need to have a good idea of what kind of companies you're trying to work with, whether you're a licensee, or a licensor.

Start by thinking about the kind of customers you want to reach. If you're a licensee, a set of user personas should give you an insight into the kind of trademarks your audience will be interested in.

If you're a licensor, you'll need to think about how working with another brand will make sense according to your brand identity. It doesn't make a lot of sense for a toothpaste or mechanical brand to work with a restaurant, for instance.

3. Set terms and restrictions

Once you've found a licensing strategy suitable for your brand, you'll need to make sure the right terms and conditions are in place. A lawyer with experience in the licensing world can often help with this.

Licensors will need to determine exactly what the licensee is allowed to use and do with certain trademarks when they gain access.

For instance, you might be happy for a company to use your logo on their products, but you may have restrictions about how they can edit or adapt the image.

How to set brand licensing terms

Setting your brand licensing terms is one of the most important steps in staying safe with your licensing agreement. As mentioned above, the best option will usually be to work with a brand licensing lawyer who has experience working with your kind of intellectual property or industry.

Look into companies with background in patent or software law, for instance.

Next, make sure the following factors are defined in your brand licensing terms:

The intellectual property

What exactly are you going to be giving the licensee access to use? What can they do with your characters or logos, and how much editing is allowed? Are there restrictions to consider here?

Exclusivity

Make sure you’re not exclusively licensing your product or trademark to another company accidentally. Most agreements are non-exclusive, so you can work with a wide range of partners without getting into trouble.

Royalties

Outline exactly how much you’re going to earn from the licensing agreement. Some companies use initial flat fees as the initial cost for licensing an IP, followed by ongoing royalties. For instance, you might get 10% of every licensed product sold.

Quality insurance

You’ll need to make sure the licensing agreement isn’t going to have a negative impact on your brand image. Make sure your licensees don’t distort your images, add new code to software, or change your brand colors or fonts.

Time frames

Consider how long the licensing agreement is going to last. Most of the time, companies will partner with other brands for a specific period of time before the license runs out automatically. This helps to prevent groups from using your IP

forever.

Should you consider brand licensing?

Answering the question “what is brand licensing?” could be extremely beneficial to companies looking to expand their reach into new markets. It’s also a fantastic solution for growing companies searching for a better way to connect with their audience through new products.

However, like any legal agreement, licensing terms and conditions can be difficult to understand at first. Make sure you do your research and get the right support every step of the way.

Fabrik: A branding agency for our times.