A FOCUS ON EUROPE

Key European territories require varying licensing strategies for kids’ properties.

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A FIRST SIGHT, THE LICENSING BUSINESS IN Europe is straightforward and easy. Minions are the No. 1 Hyper License among 4-12 year olds in the UK, France, and Germany. But the second rank in the national lists shows what makes Europe so tricky, because this is where the simplicity comes to a sudden end. German children put Ice Age second, which is a license that doesn’t even crack the UK’s top 10 anymore. French kids placed Raving Rabbids in the No. 2 spot—a license most British and German kids probably have never even heard of. In the UK, second place goes to the all-time classic Scooby-Doo, but that failed to engage German kids even since it was aired for the first time in the 1980s.

On the other hand, there are obvious similarities between the countries (Minions, Spider-Man, and LEGO Ninjago) but there are significant differences even in the top 30 of all three markets, while Disney Frozen, Star Wars, or the Simpsons land in at least two. But on the other hand, there are striking differences that make the profiles of a globalized license business tangible.

Respect Local Heroes

The license business isn’t just about global blockbusters. "Local heroes" need to be considered and respected. The Raving Rabbids made it into the French top 10, and the Mannschaft, i.e. the successful German national soccer team, scores the third rank in Germany. It is a lesson many companies refuse to learn. Licensing is also rooted in relevance, and local licenses are often one step ahead and can build a relationship with the consumer that global franchises can’t even dream of. This is why key national stories in the world of European licensing.

License selection is dominated by the global players, of course, but 53 percent of the covered licenses are reserved for Have Littles, KIKK-CHEN, T’choop, and the like. The younger the target group, the more evident the national impact becomes, because parents share their kids’ interests and hobbies, and they love from their own childhood. In the UK, Thomas & Friends is a great example. Most of these local successes come from the book market before entering the TV screen or cinema, thus building on high involvement in these stories and characters among children, and they are considered by parents to be more valuable.

License Life Cycle

Securitively, the national markets simply ignore the requirements of global business plans. Some markets are much quicker in adapting new trends and fads, and others are slower to adapt and need more time before embracing and leveraging a new franchise. For example, Trolls achieved higher ownership of merchandise in December 2016 in Japan and UK with 21 percent compared to only 14 percent in Germany and 11 percent in France. In the UK, we see the same phenomenon for The Secret Life of Pets, where we measure more merchandise ownership in the UK (23 percent) than in Germany (16 percent) and France (7 percent). On the other hand, Disney/Pixar’s Cars has only 21 percent product ownership in the UK, compared to 61 percent in Germany and 29 percent in France. The latter two markets stay with licenses much longer after they’ve been established, and they also remain popular with the kids, as the Smurfs.

Most franchises need to exist for up to two years before being ranked in markets like Germany, but many don’t get that much time. Quite the contrary, we saw examples like Disney’s Kim Possible, where the franchise failed at the beginning to generate sales in Germany. The explanation for this lies in different consumption habits: Germans expect longevity, for example, a toy is expected to be used for a couple of years, while German kids buy into “system toys” like LEGO or Barbie. UK parents, however, are happy when a toy excites their child for a few weeks, and then prepared to buy something new. Therefore, LEGO Star Wars was a killer combination from a German perspective—a long-running system toy built with a classic theme. In other markets, LEGO faces much more competition from other, short-lived action franchises.

Local Age Recommendations and Media Exposure

It is one of the basic rules in licensing that most franchises need substantial media exposure to become successful. The design-driven Hello Kitty would be one of the few exceptions to this rule. A TV series won’t be a winner without the right slot on a fitting TV channel, and even the best movie can fail if the weather keeps families from going to the cinema. This is common sense, but we are surprised by it again and again how little thought is spent on local regulations such as age recommendations—which is the third variable to be considered.

We see this issue for the first time with Pirates of the Caribbean, and the problem remains highly relevant for all action franchises, be it the countless superheroes from Marvel or DC, Star Wars, or Jurassic World. It is no surprise that awareness, appeal scores, and ownership are much higher in the UK than in Germany. The simple explanation behind this consistent difference is that all these movies are rated 12 years in Germany, because German society is still strongly opposed to all forms of violence and action-on-off, specifically regarding children. From the UK’s or the US’s perspective, we see many parents may seem overprotective, but many German parents take the age recommendations for movies or games very seriously. In consequence, and because parents don’t access the content of Iron Man, Spider-Man, or whatever, if they don’t open the story or the character, they can’t be interested in merchandise, either.

Leverage Localization

Only a few licensors manage what the Minions have achieved: success in almost all markets at the same time.

Most franchises fail to at least one of the three described strategies: they suffer from local competition, their launch strategies are not adapted to the different national license life cycles, or there are challenges regarding the target group properly. Europe may seem homogeneous from a global perspective, but it isn’t. We often had to report in our studies that franchisor’s managers suffer from not following the local rules, but we could also support licensors and licensees substantially by leveraging the benefits of localization—always within the franchisor’s DNA. The advocates of global franchise strategies are clear, but at the end of the day, the need for a local adaptation is answered by one simple question: How successful is a license expected to become in each market?