

LUXURY MEMO SPECIAL REPORTS

## Luxury licensing – Luxury Memo special report

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*Safilo's, one of the major eyewear licensing manufacturers, revenue was up by 12 percent in Asia. Image credit: Max Mara*

By BRIELLE JAEKEL

Luxury brands look to licensing partnerships to expand their businesses and branch out to new sectors and territories. But as consumer demand for authenticity and localism rises, licensing becomes yet another practice affected by the evolution of retail.

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Various accessories sectors, beauty and even hospitality are a just few of the popular industries that luxury brands are able to venture into through the use of licensing. For these manufacturers, they take advantage of the prestige and trustworthiness of the brand name.

"In one hand, licensing can be a tremendous addition to a brand's visibility by expanding into new markets and increasing their bottom line," said Dan Scott, brand architect at **Luxe Licensing, LLC**. "On another hand, it can be utterly disastrous if the product carrying the brand name doesn't uphold a certain level of quality, is promoted to the wrong audience, fails to be displayed properly at retail or is simply the wrong product for the licensed brand.

"Adding the right licensing mix to a niche brand should raise that brand to newfound heights while staying vertical," he said. "A wider reach luxe brand should see stronger overall gains while adding and retaining new customers from a broad perspective.

"The challenge is to find and negotiate the best brand extension partner and not be swept away by yearly projections. Remember, sales projections are just that. They have little or nothing to do with brand equity now or in the future."

### Top 5 trends in luxury licensing

- Growing industries

Licensing is popular with beauty and eyewear, but the strategy is branching out.

- Brands taking it back

After relying too far on licensing, some brands have taken it back a notch to better maintain their image.

- Sustainability

As with every industry in luxury, licensing companies are finding ways to be more sustainable.

- Ecommerce

The growth of digital commerce and direct-to-consumer platforms have shifted the way licensing is handled.

- Transparency

Luxury brands are becoming clearer with how their products are sourced and made.

#### Top players in licensing

Coty and Esté Lauder are two of the biggest players in beauty licensing, allowing major fashion labels to branch out into beauty, an incredibly lucrative business. These highly talented beauty manufacturers are able to reach broader audiences through these agreements.

For instance, British fashion label Burberry changed up its beauty strategy as it signed a license with Coty International for cosmetics, skincare and fragrances.

In 2012, Burberry opted to end its licensing deal with Inter Parfums, moving its beauty production and distribution in-house. Now, Burberry has reversed course again, and has become a Coty licensor under a long-term global deal ([see story](#)).



*Burberry's beauty business is being licensed. Image credit: Burberry*

The licensing acquisition was complete in October 2017 ([see story](#)).

London-based jeweler Graff Diamonds signed an agreement with Inter Parfums to create and distribute fragrances under the Graff brand name in 2018.

This is the first foray for Graff into the world of fragrances, as the house mainly focuses on jewelry and watches. The partnership will allow Graff to extend its influence outside of its traditional sectors and explore new markets ([see story](#)).

British footwear label Jimmy Choo also entered an amended licensing agreement with Interparfums, extending the partnership on branded fragrances to 2031.

Jimmy Choo has entrusted its perfume development, creation and distribution to Interparfums since 2009, when it signed a 12-year deal with the Paris-based subsidiary of Inter Parfums, Inc. Now, the collaborators have decided to lengthen their partnership ([see story](#)).

#### *Jimmy Choo's L'Eau campaign*

In addition to beauty, eyewear has become an extremely common licensing sector, as Luxottica, Marchon, Marcolin and Safilo become the predominant players in this area.

Luxottica has even allowed Italian automaker Ferrari to delve into eyewear manufacturing with a long-term agreement, and recently ramped up its collaboration.

Ferrari has inked a multi-year licensing agreement for a co-branded collection of eyewear featuring its marque alongside Luxottica label Ray-Ban. Eyewear is a growing category, thanks to its entry-level luxury price points that enable consumers to buy into a brand and make a statement in a more affordable way ([see story](#)).

U.S. fashion brand Calvin Klein also renewed its eyewear licensing deal with Marchon, extending what is now a 25-year partnership.

The multi-year agreement covers the design, development, production and distribution of optical and sunglass styles under the company's Calvin Klein 205W39NYC, Calvin Klein, and Calvin Klein Jeans labels ([see story](#)).



*Calvin Klein 205W39NYC eyewear. Image courtesy of Calvin Klein*

Italian fashion house Missoni recently entered a new multi-year licensing deal with eyewear maker Safilo.

Missoni was Safilo's first licensor in the 1980s, but in more recent years, its branded optical and sunglass frames were produced by Allison Volta Mantovana. A new five-year deal with Safilo for Missoni and M Missoni eyewear will be renewable with the present conditions until 2029 ([see story](#)).

Eyewear group Marcolin invested further in its relationship with Italian label Tod's to manufacture its sunglass and optical line.

Marcolin announced an early renewal of its licensing agreement with Tod's. The agreement between the two will extend the partnership another five years to December of 2023 ([see story](#)).

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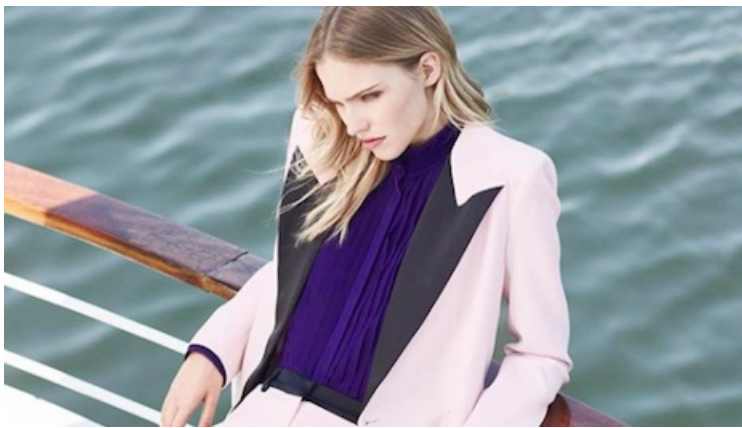
#Classic and clean #look with #TodsEyewear to start this first #July #week (Via @filomagno82) #love @tods  
#eyewear by #Marcolin

A post shared by Marcolin (@marcolin\_eyewear) on Jul 2, 2018 at 4:02am PDT

Instagram post from Marcolin

Similarly to fashion brands and automakers looking into eyewear, other brands such as Karl Lagerfeld use the expertise of others to tap into other fashion categories.

The designer inked a multi-year licensing agreement with AreaB for beachwear last fall, before he passed away early this year.



*Karl Lagerfeld is extending into swimwear. Image credit: Karl Lagerfeld*

Comprising men's and women's swimwear and beachwear, the collection debuted last summer in Europe, the Middle East and Africa. Recent research from Global Industry Analysts projects that swimwear and beachwear is set to become a \$22.7 billion market by 2022, as consumers seek a healthy lifestyle ([see story](#)).

"Ideally, the consumer shouldn't know whether a product is licensed or not," said Ira Mayer, co-director at Institute of Branding & Licensing, LIU Post; and Competitive Research & Consulting for the Licensing Community. "The licensee should be invisible the luxury brand name should be dominant.

"When there is a disconnect, it is often because the goods are being sold somewhere the consumer doesn't expect to see them, such as when a lower-level retailer offers a capsule collection from a luxury brand, or that brand shows up on QVC," he said. "The fact is, luxury consumers shop at Walmart, Target, Lowe's and QVC too, but a luxury brand has to be careful to frame its lower-end goods in a way that doesn't damage the higher-end products."

Beyond beauty and fashion

While beauty and fashion are key sectors in luxury licensing, an unlikely new trend is starting to pop up in this area.

Many brands are seeking to transfer their prestige to the hospitality industry.

Mr. Lagerfeld also expanded his namesake brand's international reach by developing a hospitality division.

Always one to keep busy, Mr. Lagerfeld was the creative director of both Chanel and Fendi, as well as his own fashion line, and hobby projects and collaborations ranging from colored pencil kits to photography exhibitions. To launch his brand into the hospitality sector, Mr. Lagerfeld inked a long-term license agreement with Brandmark Collective B.V ([see story](#)).



*Karl Lagerfeld delves into hotels. Image credit: Karl Lagerfeld Hotels*

Italian jeweler Bulgari has also just added a fourth "jewel" to its collection of high-end hotels and resorts with the opening of its Beijing property.

Bulgari introduced its hospitality brand in 2001 through a joint venture with Marriott International's Luxury Group. Bulgari's current hospitality portfolio, which leverages the service know-how of The Ritz-Carlton hotels, includes London, Milan and Bali, Indonesia ([see story](#)).

Italian fashion label Roberto Cavalli also built up its branded lifestyle by inking an international hospitality partnership with Dubai-based DAMAC Properties.

Through this new relationship, the developer will launch AYKON Hotels with interior design by Roberto Cavalli throughout Dubai. This is Roberto Cavalli's latest push into furnishings and interior design, as the brand seeks to offer consumers more than just apparel and accessories ([see story](#)).

#### *Roberto Cavalli x AYKON Hotels*

While previously it was uncommon for a fashion brand to own a hotel, licensing in the hospitality industry is nothing new.

Many hotels are operated by a lesser known hospitality management company, but their names reflect a well established luxury hotel brand.

Most of the time these names offer prestige, authenticity and elegance, but sometimes a name is what could turn customers away.

For instance, hotels both in the United States and internationally managed by the Trump Organization recently ended their relationship with the president's family's business, signifying that the brand has become toxic for the hotels' desired customers.

After the iconic hotel in SoHo in New York's Manhattan borough dropped the Trump Organization, another hotel in Panama started the process of stripping the Trump name from the hotel's association, after paying around \$32 million for the association. While President Trump continues to accrue near-daily controversies, the many brands that bear his name are beginning to feel the danger of continuing to associate with the man ([see story](#)).



*The Trump hotel in Panama is working to abandon the Trump name and disassociate from the Trump Organization. Image credit: Trump Organization*

Beyond the hospitality side, museums also often work with licensing to help connect themselves to younger



generations.

"A trend in luxury licensing is a merger of old world to new," Luxe Licensing's Mr. Scott said. "Luxury properties, such as museums, have opened their doors to unexpected and highly personalized licensing bridges.

"Examples are Vans and the Van Gogh Museum in Australia or the U.K.'s National Gallery and Prestige Flowers and the brand Scoop," he said. "These examples hope to break the staunch stereotypes associated with museum brands by leveraging Gen Z and millennial buyers.

"Since these psychographics respond well to history and align culture to modern luxury, both old world and new brands are profiting from such partnerships. Even without outside interests, luxe brands have erected their own museums to house their history and provide a youthful, unique museum shopping experience."

#### Licensing today

The continuous licensing deals and agreements with high-end labels and manufacturers show that the luxury licensing industry is alive and well, especially now that the luxury business has seen a recent boom.

But that does not mean it has not come with its changes.

For instance, before the Tom Ford era at Gucci in the 1990s, the Italian fashion label looked to licensing and eventually overextended itself. Its extreme use of licensing resulted in low quality in its accessories line, tarnishing the brand name and opening it up for more counterfeits.

After Mr. Ford's reign at the company, the brand became more focused on design and its licensing agreements became extremely narrow and maintained. This is a strategy many luxury brands follow today.



*Gucci's revenues were up double digits. Image credit: Gucci*

With consumers caring more about the quality of products more so now than ever before and where their materials come from, this strategy is exceptionally important.

While many could think that licensing out manufacturing could go against this mindset, others believe it helps maintain the quality that consumers are so focused on today.

"A key way that luxury brands manage consumer expectations is to predict them well in advance of a product release, and prove those expectations are met during and after the purchase," Luxe Licensing LLC's Mr. Scott said. "While localism and authenticity are very important to luxe shoppers today, another critical aspect is environmental sustainability.

"While this is evident in sectors such as apparel, it is extremely relevant in the natural diamond and gold industry as applied to jewelry," he said. "When luxury properties back their sustainability claims by day-to-day operations, rather than advertising messages, it will make the difference in a brand's own sustainability.

"Word of mouth will rule the roost and consumers will get what they expect and deserve from licensing deals."

With beauty and eyewear leading the way, licensing grows as a lucrative business practice for luxury brands looking to extend product offerings without the associated costs of development.

Licensing agreements, where the brand is the licensor and the licensee is responsible for production, is much more effective than a luxury house attempting to balance product management, distribution and communications on its own. Although the practice is commonplace today, Christian Dior is considered one of the first luxury houses to leverage a licensing agreement when it began marketing stockings in the United States in the late 1940s through a

third party ([see story](#)).

Safilo's CEO believes that a brand's decision to seek a license should be based on more than just financial goals.

Rather than just lending a name in exchange for checks, a licensee's role in the partnership involves oversight and a true collaboration. A conversation at Luxury FirstLook 2017: Time for Luxury 2.0 delved into the relationship between brand and licensee, drawing from Safilo's experience producing and distributing eyewear for brands such as Christian Dior, Marc Jacobs and Max Mara ([see story](#)).

Online retailers are also helping the brand licensors, as there are more opportunities for consumers to shop. Online consumption is growing, and millennials are leaning toward quality and usefulness of individual products rather than brand name.

"As with so much in retail, luxury property owners find themselves competing head-on with private label goods and house brands at upscale retailers," Mr. Mayer said. "Luxury brands are also learning how to operate online to deliver a seamless experience to their customers.

"The good news is that luxury brands have always excelled at selling the experience' of a lifestyle and experiences are definitely what consumers are looking for today."

#### Best practice tips for luxury licensing

- Dan Scott, Brand Architect at Luxe Licensing, LLC:
  - "There's only one 'best practice' we underline at Luxe Licensing: honesty. It's a simple fact that most licensing projections by-and-large aren't based on any conclusive evidence of past success or similar comparatives. Projections are often concocted numbers meant to move a brand into licensing action. As an industry, I believe we must be more direct and adopt an eyes-wide-open style of honesty for both sides. Agencies may see fewer contracts this way, but the contracts they gain, they'll retain."
- Ira Mayer, co-director, Institute of Branding & Licensing, LIU Post; and Competitive Research & Consulting for the Licensing Community
  - "Best practices when it comes to licensing luxury brands are evolving in response to rapidly changing market environments and global trade developments. How important is it to licensees for the brand to own and operate its own retail stores? Does having such stores guarantee licensees placement? Which channels are licensees authorized to sell in? Brick and mortar? Online? In which countries? Can the assortments be the same or should there be exclusivity by channel? Must there be uniformity in pricing across channels? Those kinds of questions must be answered on a market-by-market basis. And often changed in real time, just as airlines adjust their pricing in real time."