

CASE STUDY

Licensed Apparel Opportunity Valuation



THE ISSUE

International rock band seeks to spread its positive message through branded apparel.

ISSUES ADDRESSED

Brand Valuation	Brand Extension
Licensing and Monetization Strategy	Target Market Studies
Celebrity Endorsement Value	Pricing

THE CHALLENGE

When a Grammy award-winning rock band considered joining forces with a successful overseas apparel manufacturer and distributor to produce licensed merchandise, the potential for profitable brand extension was obvious. The band's philosophy of human rights, love, equality and sustainability, coupled with their dedication to public service and social causes, had garnered them followers around the globe, and the apparel industry offered a fresh avenue through which to spread the message—branded clothing designed in part by the band members themselves. Yet, new business ventures are rarely without risk, and the potential consequences for the brand image should not be taken lightly. Would this partnership end up being a stairway to heaven, or a highway to hell? Nevium was hired to find out.

It's easy to be dazzled by the wide array of potential opportunities when entering the world of brand extension through licensing. But not all licensing strategies are created equal, and the wrong choices can do worse than simply underperform—they can actually harm the brand, as we've seen in cases like Outkast's clothing line the duo itself said they'd never wear; or 50 Cent's marketing of a line of headphones that never made it market and resulted in years of litigation. The band realized that by retaining Nevium to analyze the licensing options and forecast performance, a small investment up front could lead to big payoffs down the line, or even save the brand from potential disaster.

Through examining the existing brand image and fan base demographics, analyzing the current state of the market, and creating a financial model to test performance under various scenarios, Nevium was able to determine the most profitable opportunities for this venture.

NEVIUM'S SOLUTIONS

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Knowing that product selection can make or break a merchandise licensing strategy, Nevium reviewed both successful and failed musician product lines and determined that brand assets alone are not enough drive customers to the products. The relationship between the musicians and the product—that is their creative contribution to the design, involvement in marketing, and likelihood of personal use—is often the determining factor in whether a product will fly or flop. For example, an artist like Carlos Santana may fare well when offering up his signature fedoras, but fail to command the same celebrity premiums when selling an unrelated product like women's sandals.

To add another layer of complexity to the issue, Nevium's research showed that successful products must not only align with the brand's existing image and appeal to their established fan base, but also fall within the core competencies of the manufacturer while considering the current trends of the apparel industry as a whole. After performing a thorough quantitative analysis of the apparel industry outlook and spending trends of the relevant demographics, Nevium combined what they learned with their knowledge of the band's image and reputation, financial performance, social media presence, and the demographic composition of its fan base to determine the strengths and weaknesses of the brand and pinpoint which apparel products were most likely to succeed with all elements considered.

But what good does it do to have killer products if they never reach the fans? The right price point and retailer channels are crucial to connecting with the target audience. Through a review of comparable musician apparel products and the use of their Endorsement Score Tool, Nevium was able to determine appropriate pricing based on the type of celebrity premiums that the band could reasonably command. This data was then used in a systematic retailer selection process that considered factors such as presence in tour cities, popularity within the target demographic, inventory price point comparisons, and future growth potential to arrive at specific retailer recommendations.

Bringing together all of their findings, Nevium constructed a financial model for the proposed joint company to forecast different market growth and market share scenarios. The performance of the new company was analyzed under both a shared ownership and traditional licensing structure, and recommendations were given based on each client's anticipated contribution to the new business opportunity.

OUTCOME

Nevium's analysis provided the insight needed by both the Band and the apparel company to refine their future relationship, enabling both sides of the transaction to quickly reach a strategic decision. The upfront investment paid for itself in time and cost savings for both the Band and the apparel company.

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