

# PROFESSIONAL CANDY BUYER

All About Sweets & Snacks



*Licensed products can give buyers an edge over competitors, but which license to choose might require super powers.*

**W**ITH SO MANY NEW ITEMS bombarding consumers, industry sources say it's getting more challenging to stand out. However, buyers must be aware of potential licensing mismatches and become more selective about what properties to put on their shelves.

Whether it's movies, television or evergreen licenses, suppliers continually seek the next "big thing," paying billions annually in royalties. But candy suppliers agree that while licensing can significantly increase candy sales, a good license cannot save a bad product and a bad licensing marriage can kill profits.

To avoid the pitfalls of a badly paired license, CandyRific, LLC President Robert Auerbach says buyers should be looking for a product that could sell on its own but becomes stronger when a license is added to it. "Our formula is to bring a product out generically and prove that it can sell without a license," he explains. "Then when you add a Shrek or Spider-Man, for instance, you should get a nice bump."

Galerie au Chocolat President Richard Ross adds: "People think you can put a label on an item and it will sell just because of the license. But what works best is when a product is developed specifically for a license, otherwise it won't generate more than a five or 10 percent bump in sales, which is not worth it to the buyer."

Agreeing buyers should make sure suppliers have very high standards in evaluating potential licensees, Sharon Duncan, vice-president of international business at Jelly Belly Candy Co., says: "The product should be developed specifically to reflect the brand rather than a generic product with a logo slapped on it. Retailers should avoid products not consistent with the brand image of the license."

Mike Cavalier, vice-president of sales and marketing at Flix

Candy/Imaginings 3, Inc., suggests buyers avoid licenses billed as the next hot trend but lack strong consumer awareness or significant backing in mainstream media. "For most customers, if they don't know of it and can't learn about it within a few minutes of asking around, they should pass," he states.

According to Auerbach, buyers must be sure the license and the product demographics match.

"We had one in particular, an \*NSYNC license that did not do very well because in retrospect the core \*NSYNC fan was 12 to 15 years old, but the core confectionery demographic is five to nine. We missed it," he explains.

Suppliers agree buyers should develop a strategy and stick to it. Whether it's trying to catch lightning in a bottle with blockbuster movies or seeking long-term gains with stable evergreen licenses, sources say it's vital to look at the longevity of the license or brand.

If it's a movie, it's important to know how much buzz is around it, and whether that momentum will carry through the release of the DVD. If it's a brand, understanding how popular it is with consumers and identifying the target audience is key.

Cavalier estimates evergreen properties such as Disney Princesses, Simpsons and branded licenses can last five to 10 years, whereas feature film, music and TV show licenses might only stay hot for six to 18 months.

### Huge Potential With Movies, TV

While sources tell **PROFESSIONAL CANDY BUYER** there are some licensors looking to make a quick profit through big advances and guaranteed money, most partnerships are mutually beneficial and can be a driving force in sales.

Auerbach points to DreamWorks LLC, the production company responsible for the Shrek franchise, as a profitable marketing partner.

"DreamWorks really beat the drum with marketing in USA Today, The Wall Street Journal and AOL, and did what a good marketing partner is supposed to do," he says. "It makes its brand topical, which is why we pay the royalty."

While evergreen licenses have a longer shelf life and steady profit margins, movie licenses have the biggest potential

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reward. However, sources say the pursuit of such a reward comes with greater risk.

With movies, sources say there are both positive and negative aspects of product licensing. If the movie does not do well at the box office, there often is no exit strategy. Typically suppliers have already shipped items before the movie launches, and if it does not perform to expectations retailers and suppliers could be left with unsold product.

Tina Goldkind, president of Swirl Design, Inc., suggests buyers watch the timing of the license. "Be careful to watch the reviews and popularity and phase out the items so you don't get stuck when consumers move on to the next movie launch."

"To take on a new property that is only driven by a movie is highly dangerous, and retailers tend to get nervous about movies unless it's a blockbuster," Auerbach states. "But if you get it right, say Cars for instance, you hit a home run."

Sources say buyers need to stay disciplined, know what works and what doesn't and not take too many risks. When Mars, Inc. came out with Shrek Ogre M&M's and dark chocolate M&M's for *Star Wars* they were successful because the products were only offered for six to eight weeks and consumers were already loyal to the M&M's brand.

Ross agrees the best strategy for a buyer considering a movie license is to accept that it is for the short term. "If, for example, a movie

opens June 1 and the buyer gets their product into the store April 1 and plans to be out by the end of June, they are usually pretty successful," he explains. "The success rates decline when the buyer tries to keep it going through the DVD release."

Occasionally, Auerbach explains, a movie is launched that becomes evergreen such as *Star Wars* or *Toy Story*, where product tie-ins remain profitable beyond the initial theater distribution.

"Spider-Man is a good example of a property that's well-known with kids and

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ROB AUERBACH  
CandyRific LLC

has legs well beyond the movie, but if the product never leaves the marketplace, the result can be consumer fatigue," he says.

TV licensing, suppliers say, is very different from movies. Though products might still be tied to characters kids trust, there isn't a climactic event such as a movie premiere. Instead, the product benefits from constant marketing and daily broadcasts, and sales, if they're going to trend up or down, will be evident before companies have a huge inventory position.

Licensed property shelf life is hard to predict, confirms Kurt Dungan, vice-president of marketing at Frankford Candy and Chocolate Co., Inc.

"License popularity is impacted by consumer interest and demand," he explains. "There are many evergreen properties that have been around for a long, long time and continue to sell well,

like Disney Princesses, for example, and yet there are others that come and go quickly based on the latest fad and one-time marketing efforts."

The most important determination of license strength and shelf life, according to Dungan, is the licensors marketing efforts. "Continued investment in a license will have a long-lasting impact," he adds.

## Consumers Will Pay Premiums

Sources say licensed candy is typically found promoted in areas away from non-licensed products and set at slightly higher price points than its mainstream counterparts.

They report suppliers pay three to 15 percent of the wholesale price to licensors, betting the increased sales will cover their mark. The retailers pass some of that fee on to consumers, gambling they will pay a premium for the product.

Because so many products today are co-branded, adds Goldkind, the higher retail cost is almost an expectation of the customer and they don't think of the price as premium.

Toycept, Inc. President John Fishman explains consumers will pay a little extra for a licensed product because an appropriately applied license gives that product, in the consumer's mind at least, an added emotional value.

Larry Jones, vice-president of research and development/licensing at Kandy Kaste, Inc., adds: "Licensing does affect the cost of goods and the retail pricing should always make a profit. It comes down to the product and the license combining to provide adequate value to the customer. If it does, they will buy it."

"There is no question consumers will pay a premium for a licensed item," insists Auerbach. "If a \$1.99 item sells well, we can generally get \$2.99 for it

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with the proper license attached."

At the same time, Cavalier adds, too much product in the market can cause purchaser fatigue, making consumers less likely to pay the premium. "For the right license that is really hot and on the front end of an upswing, consumers will pay. However when there is a significant amount of licensed product in the market, the premium will not be paid," he explains.

Other sources agree over-exposure can be a problem. Jelly Belly's Duncan adds: "If the quality of the licenses aren't controlled or evaluated properly a license can have a negative impact on the goodwill of the brand."

## Trust In Licensed Products

Fishman asserts kids are fickle and always on the lookout for new products. "If they've got the hottest item, it makes them feel cool with their friends," he explains. "Producing a licensed candy item that tastes great and has a bit of play value or some other trendy appeal will always be a selling point with kids."

While kids are an obvious target for licensed candy, some sources say their impulsive nature makes them less than ideal as the focus of any license with staying power. Therefore evergreen marketing to parents is emerging as a key strategy.

It seems that when nutrition and value meet, sources say parents don't mind spending extra for the license.

John Bonnet, vice-president of sales at Orchard Sweet Foods, adds: "Licenses on candy are a very strong influence, especially when they build on perceived consumer image of the licensing company. Sweet N' Low candy capitalizes on the brand's strong sugarless franchise while Orchard Sweet counts heavily on the strong fruit strengths of the Seneca brands."

The law of averages says that with any product, the more it comes in contact with consumers, the

greater the likelihood someone will buy it. This is especially true, sources say, with licensed products.

## Multiple Locations Impact Sales

Rose Downey, vice-president of operations at Au'some Candies, Inc., says merchandising licensed candy in several areas is key. She suggests that it be showcased on counters, at the front end, in shippers/floor displays and along with other products with the same license.

Fishman adds, from a retailer's point of view, it's wise to build a section with other products that use the license, crafting a section in the store that promotes that license.

"If you've paid big bucks for a licensed item, you want to promote it as best you can to generate a buzz," he says. "Big colorful graphics on POP displays, free-standing displays and other shelf displays with eye-popping signage help sell the items."

According to Bonnet, one of the best ways to capitalize on licensed brands is by featuring them in off-shelf displays and in retailers' print ads.

"We are in the process of tying in with Seneca juices, apple sauce and snacks to promote and advertise in concert with the Seneca section in our customers' ads and in off-shelf displays at store level," he reveals.

However, with so much recent emphasis on childhood obesity, sources say candy licensing can be a slippery slope. And while sources contend candy is still a small percentage of a child's diet and moderation is always key, more and more brands are pushing a "Better for You" policy as a part of the brand image. Some licensees even require that licensed items provide nutritional value, using for example, real fruit or fruit juice in product lines.

Cavalier says while some



entertainment companies have given very direct guidelines to deliver smaller portions and sugarfree alternatives, they can be easily addressed, and should not significantly affect candy licensing.

## Childhood Obesity Matters

With movie characters such as Shrek regularly appearing on everything from M&M's to Pop-Tarts to McDonald's Happy Meals, the U.S. Department of Health and Human Services recently launched a public service ad campaign in which the animated movie character urges children to exercise.

"Shrek is conveying the message that he's overweight, out of shape, and eats a lot of snacks," says HHS spokesman Bill Hall. "So he's adding physical activity to his lifestyle so he can be healthier, and kids should too."

Insiders say the most pressing trend in licensed candy is continued competition for shelf space with other branded products. Because retailers often can't provide enough space for a broad assortment of licensed items it forces the need to focus on the best licenses and the best products.

Frankford's Dungan adds: "For strong licensed properties, this creates great opportunity, but for properties with less strong appeal, it's a very real threat."

Whether based on evergreens, movies, television or whatever property promises to be the hottest thing to hit the shelves, analysts predict candy buyers will see continued growth of licensed products.

For retailers, licensed items will continue to be an opportunity to offer consumers familiar and trusted brand names.

