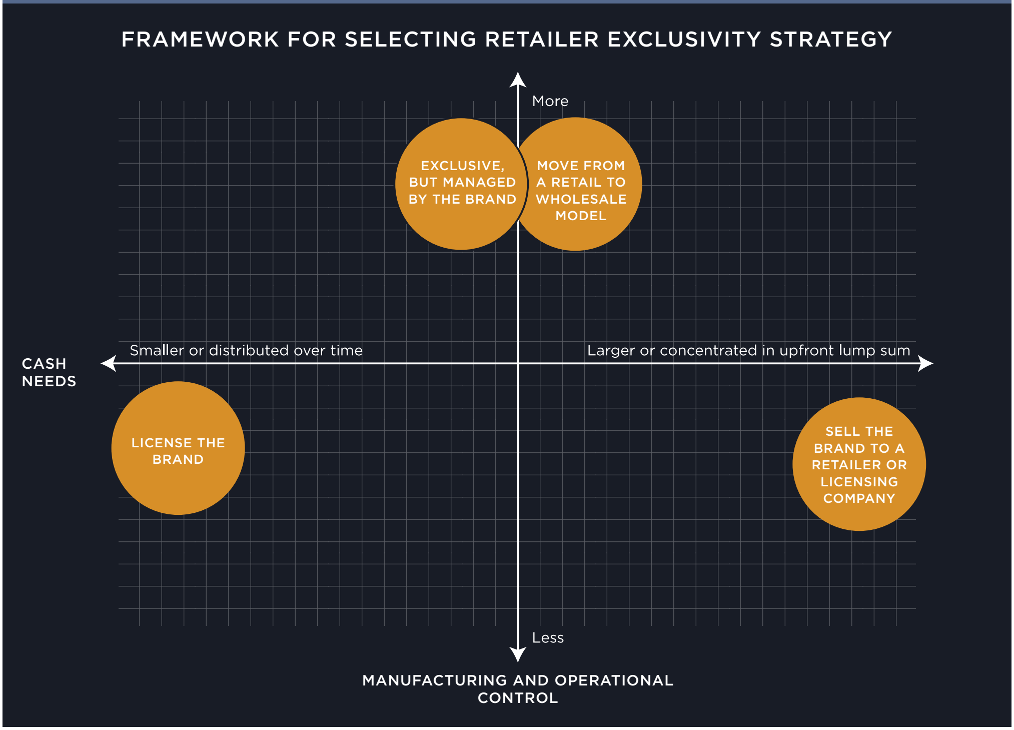
# ’TIL DEATH DO US PART

## EXCLUSIVE DEALS HELP RETAILERS AND STRUGGLING BRANDS LIVE HAPPILY EVER AFTER

What can be done with a brand way past its prime—one that may have had its moments of glory years ago but is now destined to suffer an Eleanor Rigby–esque fate?

One option is to get hitched—offer a retailer exclusive access to the brand. Doing this can help an owner extract the remaining value from a dying brand that still has some remaining brand equity with consumers and can bring sustainable growth to its new retail partner.

EXHIBIT 1: Four retailer-brand relationship options, no pre-nup required.




For the brand, exclusivity provides consistent distribution access to a large store base, which dying brands often lack. What's more, the exclusive brand can typically expand its space within the retailer by broadening its product line.

The retailer's commitment to the exclusive brand also supports a stronger, more consistent in-store merchandising program, which can offset the shrinking brand's inability to maintain cost-effective consumer marketing.

For retailers, exclusivity helps create differentiation from competitors. Well-known brands can bring an aura of credibility that the retailer's private-label program alone cannot deliver. An exclusive, third-party managed brand can also bring technical and design expertise that is not available in-house.

Exclusivity can be executed in a number of ways that create different operational and financial responsibilities for the original owner, as illustrated in Exhibit 1.

Liz Claiborne's story shows the benefits of selling a brand outright. In 2011, the company sold the rights to Liz Claiborne, Claiborne, Liz, Liz & Co. and other related brands to JCPenney, becoming the largest brand launch in JCPenney's history. The transaction generated $268 million for the brand's parent company to reinvest in higher-potential brands like Kate Spade, and Liz's sales jumped over 14% in just two years.[i]

Another option is offloading a dying brand to a company that buys brands to license them. Iconix, a pure licensing management company, was one of the first of these brand aggregators. Over the past few decades, they have acquired struggling brands such as Mossimo, which flourished under this strategy, generating $811 million in its first year as an exclusive for Target[ii] after doing just $24 million in sales the previous year as a freestanding brand.[iii] Once a dying brand reestablishes a foothold, the brand owners can extract additional value by launching into new categories or replicating the channel-exclusive strategy in other countries.

If total exclusivity is too much, some brands have created programs that wholesale the brand to a limited number of retailers to create semi-exclusive brands. This strategy is behind Sears' recent decision to begin licensing its most well-known brands—Kenmore and Craftsman—nationally and internationally. The Kenmore name holds equity in appliances, while Craftsman tools, known for their durability and reliability, are already being sold in more than 100 Ace Hardware stores and are being marketed to the other 4,500 locations, providing additional distribution opportunities for the brands outside Sears' own stores.[iv]

As these examples illustrate, even brands that seem destined for eternal spinsterhood may have a second chance if they can find the right retail partner. ❖

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i Company Annual Report; *Forbes*
ii *Forbes*
iii Company Annual Report
iv *Chicago Tribune*