TLL THE LICENSING LETTER

ROYALTY TRENDS REPORT 2016

BY THE EDITORS OF **THE LICENSING LETTER**

The Licensing Letter Royalty Trends Report

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THE LICENSING LETTER
Karina Masolova, Executive Editor
Glenn Demby, Contributing Editor
Marcy Magiera, Contributing Editor
Barbara Manning Grimm, Managing Editor

Plain Language Media, LLLP
PO Box 509
New London, CT 06320
Phone: 888-729-2315
Fax: 855-649-1623
customerservice@plainlanguagemedia.com
www.thelicensingletter.com

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INTRODUCTION

Royalty rates on licensed goods in the U.S. and Canada remained steady, showing little or no movement in 2015 after two decades of long-term stability. The average royalty in 2015 was 8.73% compared to 8.68% in 2014, a change of just 0.6%. Since 2005, the average royalty rate across property types and product categories has been in the 8.6% to 8.8% range.

More than half (59%) of respondents to *TLL's Annual Licensing Business Survey* report that royalties were flat in 2015, an increase over the 56% who judged royalties to be flat in 2014. Among those who saw a fluctuation in average royalty rates, however, more than three quarters (77%) said royalties increased and just 23% reported a decrease.

In addition to that subtle upward movement in payments, some survey respondents also told of an increase in marketing requirements for those who have them. A smaller percentage of *Survey* participants (32%, compared to 42% in 2014) report that they are required to commit a percentage of annual wholesale or net sales to their own advertising or marketing of the license (or require such a contribution). But among those who are obligated to an advertising outlay, a significantly larger portion (31%) were required to spend greater than 5% of sales than last year, when just 15% were committed to ad spending at that level.

In another change for 2015, there was an increase in the percentage of new contract lengths longer than two years.

Entertainment Royalties Jump Again

Changes to average royalties were slight–less than 1%–across most property types and product categories. Entertainment/character, for the third consecutive year, was the property type with the highest rise in average royalties, increasing to 9.84% in 2015 from 9.70%. The percentage gain, at 1.4% was only about half of 2014's 2.9% increase.

Many of the respondents reporting increases in royalties identified entertainment as the property type with the most fluctuation (in an upwards direction), but there were fewer mentions of specific platinum properties compared to a year earlier. Disney, which commands unequaled property type market share of about 50% since it added Marvel and Star Wars to its existing Disney brands through acquisitions over the past five years, has fueled much of the sales growth in the entertainment property type but also much of the increase in royalties and other payments in recent years. Licensees have generally absorbed those gains over the last two to three years, a licensee respondent related, noting that the industry has already gone through the "sticker shock."

"Royalties are generally flat, but anything specific to a movie is going to have an uptick," this licensee says.

Royalties Trends of Other Property Types

Sports and videogames were the other property types respondents cited for increases in average royalty rates in 2015, though the increases were very small—0.2% and 0.1%, respectively. At 10.02%, sports is the property type with the second highest average royalty, trailing only celebrities, which fell slightly to 10.25%, but remained securely atop

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average rates. Within the celebrity property type, average royalties in the entertainers/models subset grew a bit, but the overall rate may have brought down by increased activity in the digital celebrities/other category (which is not broken out in this report), where emerging properties have not yet established licensing track records.

Overall, eight of the 13 major property types saw slight dips (all less than 1.0%) in their average royalty rates: art, celebrities, estates, fashion, music, non-profit, publishing and trademarks/brands. Three were up (entertainment, sports and videogames) and two were flat (collegiate and toys).

Royalty Trends by Product Category

On the product side, more than one third of the 16 major product categories had average royalty rates that did not budge: apparel, consumer electronics, domestics, health and beauty, housewares and sporting goods.

The largest fluctuations were in produced categories that saw their average royalties decline by 0.5% to 0.9%, including accessories, footwear, gifts/novelties, infant products, publishing and stationery/paper. The categories that gained all did so by less than 0.5%: food/beverages, furniture/home furnishings, toys and videogames.

Guarantees, Advances Also Rise for Entertainment

In 2014, guarantees were just as flat as royalties, breaking with a previous pattern in which guarantees had been declining as royalties remained steady. The guarantee flatness continued in 2015, with more than one third of respondents (39%) reporting no change in average guarantees last year. The rest of the respondents were split, with slightly more (32%) reporting increases in dollar value of the average guarantee range and 29% reporting decreases in guarantees.

Following the theme of higher royalties in the entertainment sector, the increases came from largely from the entertainment/character property type, with some movement in areas including fashion, food/beverage and gaming. Overall, minimum guarantees generally remained flat in most categories, however.

"Guarantees rose on the character side, much to the detriment of the programs," said one survey respondent. "Licensors seem more in the guarantee business than offering a reasonable guarantee, resulting in shortfalls particularly in the character area."

The trend in advances mirrored guarantees, with 39% of *Survey* respondents saying they were flat year-on-year, compared to 29% reporting increases in advances and 32% reporting decreases.

"Advances rose on the entertainment/character side, including quarterly advances," says one respondent. "Licensors are demanding more front loading of agreements over the term, thus squeezing manufacturers' cash flow."

In the art property type, however, one participant reported that guarantees and advances are being phased out completely, particularly in the U.S. "Regarding art licensing, advances and guarantees seem to be a thing of the past for most of us!," this respondent notes.

Fewer Marketing Requirements Imposed

The percentage of respondents saying that they pay into or require a contribution to a central marketing fund (CMF) continued to trend downward, falling from 45% in 2014 to 41% in 2015.

THREE YEARS MOST POPULAR CONTRACT TERM

Survey participants say that contract lengths in 2015 were, on average, steady from 2014, with more than four-fifths (88%) of respondents saying so, versus 6% saying the average length increased and 6% saying it decreased.

The largest percentage of respondents (56%) say their average contracts were three years, followed by 32% who say the average was two years; 3% report their average contracts signed in 2015 were five years or longer in length.

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A smaller percentage of *Survey* participants (32%) also report that they are required to commit a percentage of annual wholesale or net sales to their own advertising or marketing of the license (or require such a contribution). It should be noted that these figures are likely to be higher than is actually the case for the licensing business as a whole. This is, perhaps, because the respondents who answered the questions about marketing contributions were skewed toward property types where such requirements are more common, such as corporate trademarks, fashion, sports and entertainment/character.

Among respondents who report making a CMF contribution, about three-quarters say it was 2% or less, while one-quarter report an average above 2% of net sales.

For annual marketing commitments, respondents report a range of 1% to 20% (of either net sales or wholesale), with the most commonly reported amounts (cited by 38% of respondents) being in the 2% to 5% range.

Other licensee marketing contributions cited by *Survey* respondents—sometimes in combination with one or both of the above—include requirements to:

- Participate in trade shows, retail road shows and consumer exhibitions;
- Produce animated shorts for digital distribution;
- Buy TV or print advertising; and/or
- Market their products in licensor-controlled venues such as websites and comic books.

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PART I: ROYALTIES, ADVANCES AND GUARANTEES—THE BASICS

Royalties, Guarantees & Advances: Understanding The Core of Licensing Agreements

Note: "Licensor" refers to the owner of a property made available for creating licensed products or services. "Licensee" refers to the manufacturer of such products or the developer of such services.

The basic structure of compensation for most licensing relationships involves a **royalty** per unit of merchandise sold, a minimum guarantee payment against royalties, and an advance, all of which are interrelated. Flexibility and creativity are possible in the negotiation of licensing deals; for example, many partners are structuring agreements to include graduated royalties and guarantees tied to performance benchmarks.

The basic unit of payment is the royalty, around which advances and guarantees are structured. Royalties, advances, and guarantees vary depending on a number of factors and all are negotiable. Royalties are typically applied to the manufacturer's selling price (not the retail price) of each item sold, less allowable deductions.

The minimum guaranteed royalty, or **guarantee**, is the minimum amount the licensee agrees to pay the licensor at the end of each year or contract period regardless of sales. It limits the licensor's risk and encourages the licensee to do whatever it can to succeed with the licensed line.

The guarantee is charged against royalties. In other words, if the licensee is paying a guarantee of $100 and a 10% royalty to the licensor, the licensee will have to sell $1000 worth of merchandise to "earn back" its guarantee.

If royalty payments over the period covered by the guarantee exceed the guarantee amount, the licensor requires no further payments because the guarantee has been met. If total royalty payments over the period are less than the guarantee amount, the licensee owes the licensor the difference between the guarantee and actual royalties at the end of the period.

Guarantee amounts differ depending on the deal, but they usually equal a percentage of expected royalties over the guarantee period. Guarantee amounts are subject to negotiation and vary depending on licensees' and licensors' objectives. They can be as low as about $350 (for some artist-licensed items) and as high as $20 million (for a long-term video game, toy, or publishing deal) or higher. Some agreements do not require a guarantee at all.

The main purpose of the guarantee is to ensure that the licensee makes its best effort to sell the licensed merchandise and that it compensates the licensor anyway if it does not. During the contract period, the licensor cannot sign other licensees for the same products (unless the agreement is nonexclusive), regardless of whether the licensee does anything with the property. Thus the guarantee.

The licensee must pay the guarantee if the merchandise underperforms, even if the property as a whole is a disappointment despite its best efforts. Many licensees argue that the licensor bears responsibility for the failure of the property overall, but they owe the licensor the guarantee all the same. In rare cases, licensors may forgive a guarantee for a product line based on a flop, usually in lieu of a more favorable

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deal with a future property. The unpaid portion of the guarantee might carry over to a future property, or the guarantee for that future property might be lower than normal to compensate for the unreasonably high guarantee on the first property.

Licensors typically require a portion (such as 25%) of the first year's guarantee as an **advance**, payable upon contract signing. In the case of a low guarantee, the licensor may require the full amount in advance; at other times the advance may be a token payment of a few hundred dollars. If the advance is very large, licensors may allow licensees to remit half the advance upon contract signing and the remainder in a series of payments every six months, rather than as a single lump sum upfront.

Exhibit 1

AVERAGE ROYALTY BY PROPERTY TYPE, 2015

PROPERTY TYPE	AVERAGE ROYALTY, 2015
Art	6.2%
Art and Artists	6.3%
Museums	6.1%
Celebrities	10.3%
Entertainers/Models	10.5%
Chefs/Home-related	9.7%
Collegiate	10.0%
Entertainment/Character	9.8%
Estates	9.6%
Fashion	8.5%
Apparel	8.4%
Footwear	7.1%
Home	7.5%
Music	8.2%
Non-profit	8.3%
Publishing	8.5%
Books	7.9%
Newspapers/Magazines	8.1%
Comic Books/Strips	9.6%
Sports	10.0%
Trademarks/Brands	7.7%
Automotive/Motor Vehicle	4.1%
Food/Beverage	5.6%
Restaurants	5.9%
Sporting Goods	7.0%
Traditional Toys/Games	8.2%
Videogames/Interactive/Online	8.9%
OVERALL AVERAGE	8.7%

NOTE: Royalty estimates based on net wholesale price. Italics indicate subcategories.

SOURCE: The Licensing Letter

Exhibit 2

AVERAGE ROYALTY BY PRODUCT CATEGORY, 2015

PRODUCT CATEGORY	AVERAGE ROYALTY, 2015
Accessories	9.1%
Eyewear	8.3%
Handbags, Backpacks, Messenger Bags	8.9%
Headwear	9.9%
Hosiery	8.6%
Jewelry and Watches	7.7%
Luggage and Travel Accessories	10.1%
Scarves and Ties	7.3%
Apparel	9.5%
Consumer Electronics	5.3%
Domestics	8.9%
Food/Beverages	6.0%
Footwear	8.1%
Funiture/Home Furnishings	7.5%
Gifts/Novelties	8.6%
HBA	9.0%
Fragrance	9.3%
Cosmetics, Hair Accessories, Other	8.4%
Housewares	6.3%
Infant Products	8.7%
Publishing	9.7%
Sporting Goods	9.8%
Stationery/Paper	8.9%
Toys/Games	10.4%
Videogames/Software	10.5%
OVERALL AVERAGE	8.7%

NOTE: Royalty estimates are based on net wholesale price. Italics indicate subcategories.

SOURCE: The Licensing Letter

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In some cases, a licensor might lower or waive an advance in return for a higher guarantee or royalty rate, especially if it wants to encourage the licensee to spend upfront on product development or marketing.

Factors Affecting Royalty Rates and Guarantees

Royalty rates vary, as the charts on the preceding page show. The law of supply and demand plays into the royalty asking price. An entertainment property that many licensees desire can command royalties of 20%. On the other hand, properties that are not in great demand bring in lower rates because the licensor has more to gain by attracting licensees than the licensee does from signing on. The same phenomenon occurs for all property types; an established fashion brand yields a higher price than a newly launched, little-known label.

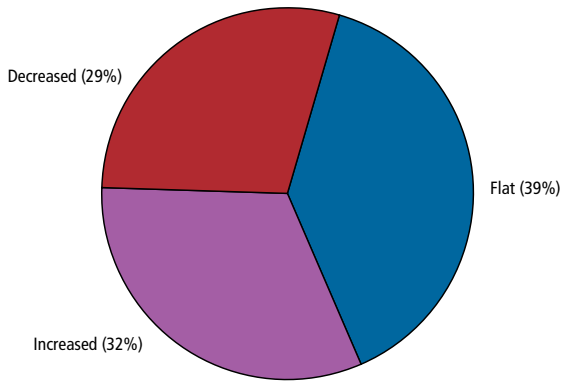
Distribution also plays a role in determining royalties. Licensors receive lower royalties from manufacturers who sell to mass merchants (due to lower prices and tighter margin structures), but sales levels compensate for the smaller per-unit income. Average gross margins within the licensee's industry influence royalties as well. The margin, usually stated in the form of a percentage, is the licensee's gross profit per unit divided by its sales price. Gross profit is the manufacturer's sale price minus the cost of goods sold (the unit cost).

Companies that operate in industries associated with low margins (such as food manufacturing, where a licensed product based on a famous chef would garner royalties of 2%–5%), cannot cost-effectively acquire a license if the royalty rate is too high. The royalty would slice margins even more, creating a competitive disadvantage for the manufacturer. This situation is particularly true for industries in which licensed products are sold at the same price as non-licensed items.

Licensees' and licensors' objectives also affect royalty rates, guarantees, and advances. Some entertainment licensors seek high advances to help pay for or greenlight a production, but may accept a lower royalty rate in return for more upfront funds. A licensor may offer a lower royalty rate to attract a licensee to an unproven property or to gain its commitment to a longer contract. A corporate or other licensor may have a strict policy regarding advance or guarantee minimums; some will not accept deals below $5,000, for example, and others not below $100,000. High guarantees, if they do not match the licensee's objectives or capabilities, can be detrimental to a program, however, since

Exhibit 3

CHANGE IN VALUE OF GUARANTEES, PER YEAR OF CONTRACT, 2014-2015



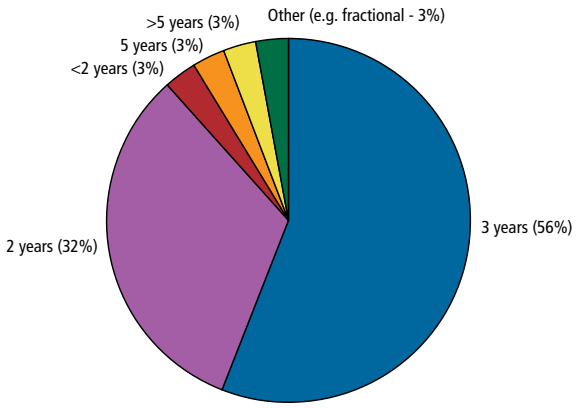
NOTE: Excludes those reporting no guarantee.

SOURCE: The Licensing Letter

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Exhibit 4

AVERAGE LENGTH OF NEW LICENSING AGREEMENTS, 2015



NOTE: Numbers may not add up exactly due to rounding. Excludes those reporting no guarantee.

SOURCE: The Licensing Letter

they can lead to overshipping and sales totals that do not meet expectations.

A licensee that desires a broadly defined exclusive typically pays a higher royalty rate and/or guarantee, since it is preventing the licensor from earning income from other manufacturers in the same category. Some licensees lower their guarantees by promising to present more SKUs to retailers. This commitment benefits licensors by increasing the chances that more products end up on retail shelves. Depending on the property, this can be a greater boon than high guarantees.

Since every licensing agreement is unique, negotiations between a licensee and licensor can result in any number of royalty-guarantee-advance combinations. Some property types are more negotiable than others—entertainment and artists' contracts diverge significantly, while major league sports deals tend to fall along similar lines.

Variations

Increasingly, licensors and licensees forge deals in which royalties are adjusted as licensees reach various benchmarks throughout the life of the property. These hurdles are written into the contract and are intended to protect the licensee if the licensor's expectations fail to come to fruition, much as guarantees protect licensors. Essentially, licensors and licensees share more risk in the early days of the agreement.

Benchmarks may be tied to the performance of the property or the fulfillment of promises by the licensor (i.e., the number of markets in which a TV show gets placed, or the ratings it achieves) rather than to licensees' sales. Licensors might look for a higher royalty if a show moves from once-a-week airings to five or six times per week.

A licensor may also incorporate specific "negative" milestones into a contract, such as requiring the licensee to pay a penalty if it misses a crucial deadline (e.g., a product introduction or delivery date). If a selling season is short, a late delivery would critically affect sales and harm the property, so the licensor would want compensation.

Graduated royalty deals can be complex. Sales can be measured either in dollar terms or in units; there are many other variables, such as geographic boundaries or distribution channels, that may be involved in the final math.

Rarely, licensees will pay a flat fee per unit in lieu of a royalty percentage. This is primarily done to simplify accounting, if

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prices are not consistent, or if a product or service is free to consumers.

Licensors that authorize the use of their property within an online service or web portal may receive a flat fee per customer use, as might licensors who authorize the use of their property in a digital greeting card.

Allowable Deductions

Royalties are most often based on the "net sales price," which means the manufacturer's selling price less allowable deductions. Licensors authorize very few deductions, but in some cases may grant:

- Cash or volume discounts to retailers;
- Returns (in product categories such as publishing in which items are sold on a returnable basis), often including a reserve for returns of about 10% to 20%;
- Freight.

Since these reduce the total royalty, licensors typically limit allowable deductions to a maximum of about 2% to 5% of the first billing amount. Some observers believe that more and more expenses will become part of the definition of allowable deductions in the future, but these are the current standard. Depending on the specifics of a given deal, others may be added. Determining allowable deductions can be one of the most difficult points during negotiations for both partners.

Advertising Adjustments and Marketing Funds

Increasingly, licensors are requiring licensees to participate financially in marketing the property, beyond advertising their own product line. Licensees often view the properties they acquire as a long-term investment and are willing to consider paying into a common marketing fund (CMF) or providing other marketing support.

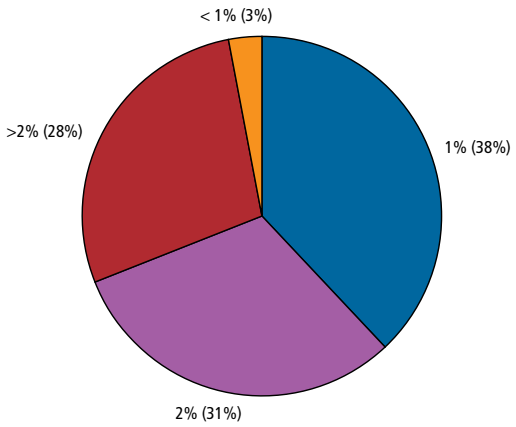
For a long-term corporate licensing deal, the amount spent on marketing fund contributions, plus the licensee's own marketing support, can exceed guarantee levels in a given year.

Licensees' contributions toward marketing can assume several forms:

- Licensors may require licensees to pay an additional percentage into a licensor-controlled central marketing fund, earmarked for TV campaigns, retail promotions, co-op advertising with retailers and other efforts on behalf of the property. This is the common CMF structure.
- Licensors may allow a licensee to

Exhibit 5

AVERAGE CONTRIBUTION TO CENTRAL MARKETING FUND, 2015



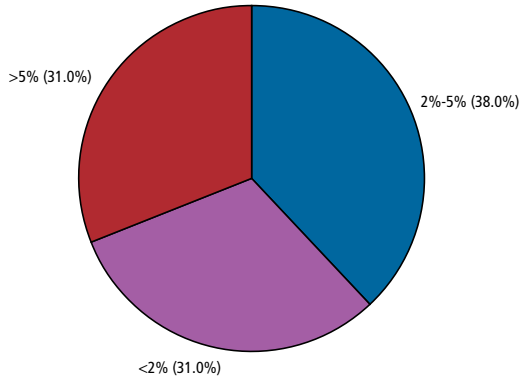
NOTE: Excludes those reporting no CMF.

SOURCE: The Licensing Letter

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Exhibit 6

AVERAGE REQUIRED COMMITMENT TO LICENSEE ADVERTISING, AS A PERCENTAGE OF NET OR WHOLESALE SALES, 2015



NOTE: Excludes those reporting no CMF.

SOURCE: The Licensing Letter

deduct a point or two off the royalty rate if the licensee spends the equivalent on co-op advertising with the retailers to which it sells. For example, an apparel brand demands a 5% royalty from its licensees, but the licensee can deduct up to 1% of that if it spends the equivalent on co-op ads with its retail customers, subject to licensor approval. This technique is used to spur licensees to market their own lines specifically, secondarily lifting the entire brand (in contrast to CMF, which is for marketing that supports the entire brand, thus lifting licensees along with it). However, the use of a CMF is more common than the use of this technique for most property types.

- Licensors may require licensees to devote a certain percentage of total licensed volume to advertising. A fashion label requires its licensees (which can number in the hundreds) to devote 1%–2% of total volume toward their own advertising in support of the brand. This demand can translate to several millions of dollars in collective advertising expenditures worldwide.

Some licensees are not willing to participate in a CMF. They do not like that the licensor controls how the fund is implemented and are leery of the fact that they cannot track whether its use specifically aids their own product line. They are willing to spend on advertising or marketing the property, and in fact would be willing to donate more than the amount required for a CMF, but only if it goes toward a specific promotion that they help plan or approve.

Royalties Applied To The Retail Price

There are times when the royalty rate is based on the retail rather than net sales price. Book publishing is one example; publishers traditionally pay their authors royalties calculated on the retail price and they often compensate licensors the same way. In some international territories, such as Japan, royalties are conventionally paid on retail.

Royalty percentages are normally lower in such cases, adjusted so that income is roughly comparable to what it would have been if the typical rate was calculated on the net sales price.

Direct-To-Retail (DTR)

Royalties can be based on retail prices when there is no manufacturer's sales price, such as when a retailer or cataloger is the licensee. These direct-to-retail deals are on the rise.

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In such cases, the retailer typically pays a royalty to the licensor, and sources the products itself. The royalty can be based on the retail price or on the vendor's sales price (e.g. the retailer's cost) and can be a percentage or a flat fee per unit sold (or purchased). The rate is lower when calculated on the retail price rather than wholesale, since the base price to which the royalty is tied is higher. (In general, direct-to-retail royalties tend to be lower than for a typical licensing deal, due to the retailer's negotiating power and the promotional value of the exclusive.) A direct royalty structure must take into account factors such as shrinkage and markdowns, which affect the definition of the retail price.

In addition to the royalty, the partners need to negotiate who handles the costs of packaging, in-store signage and other facets of the alliance. Licensees or vendors, retailers, and/or licensors may be responsible for all or a portion of each facet, depending on the deal.

F.O.B. Pricing

When a licensee sources a product from overseas, it often sells to retailers through an F.O.B. (freight on board) arrangement—the retailer buys the item when it is still in the country where it was manufactured and is responsible for shipping it back to the U.S., as well as customs and ground transport. The F.O.B. price charged by the licensee is significantly less than for products delivered to the retailer's door, since much of the cost is transferred from the licensee to the retailer.

Since the invoice amount is less for an F.O.B. transaction than for a traditional sale, licensors adjust the royalty upward (often by four percentage points or so) so their income is equal to what it would have been if the products had been imported and delivered by the licensee.

F.O.B. rates are becoming increasingly important as more licensed products are sourced overseas. Licensing agreements typically outline both F.O.B. and net sales royalty rates, depending on the licensee's current (and potential) practices with regard to invoicing their retail customers.

Split Or Combination Royalties

There are cases where a licensee must pay royalties to more than one licensor for a single product line. Normally, the total royalty is higher than for a solely owned property, but each individual licensor's cut is lower than usual. In terms of trademark rights, this most often comes into play in situations in which there is cross-licensing or co-branding.

Cross-licensing occurs when a manufacturer acquires the rights for multiple licensed properties and combines them on one product. If each of two properties, say a character and a sports league, normally commands a 10%–12% royalty in the relevant category, the licensee might pay a total of 14%–16% for the cross-licensing rights, with 7%–8% going to each of the licensors.

For an action figure in the likeness of a recognized athlete in uniform, the licensee would typically pay a lowered royalty to both the league and the player or players association, totaling 17%–20%, higher than the royalty to either party alone but less than double.

In rare cases, a licensee might have to pay the full amount to each licensor, doubling the royalty. Generally, however, if both licensors like the product concept, they will allow the licensee to earn a profit on the product line, while still providing each rights-holder with a lucrative income stream.

Sometimes cross- or multiple licensing agreements can get complicated. A manufacturer who wants to produce auto-racing merchandise might pay a 5% royalty to the driver, 5% to the owner of the team/car, 5% to each sponsor, and 2%–4% to the car manufacturer, as well as royalties to NASCAR or another governing body, other third-party partners, and various promotional fees.

A licensee of an art-themed card or board game may have to pay royalties to several artists, estates and museums. A chess set with figures of nostalgic baseball players could entail royalties to Major League Baseball, baseball publications who supply artwork or logos, and 32 players (one for each piece), via their

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agents or players associations, for a total royalty of about 20%.

Bundling and Cross-collateralization

Licensors are increasingly apt to grant rights to more than one property within the context of a single agreement, such as several films or a film and a television show within the same franchise, or several unrelated trademarks under the same corporate umbrella. In many cases, each product line under the agreement is tied to a distinct royalty and guarantee.

Sometimes, however, licensors will allow licensees to cross-collateralize the revenue streams, meaning that if one portion of the agreement is weak, the licensee can make up for that with other properties under the same agreement, rather than being responsible for separate guarantees for each facet of the line. This structure allows licensors and licensees to share the risk more equitably and is intended to aid the objectives for the overall franchise or corporation rather than forcing each product line to perform separately. It spreads the risk over a whole portfolio of properties and reduces the chance of oversaturation of product related to one component of the franchise, thus harming the other components.

Cross-collateralization usually does not work unless the properties are related in some way and have the same or similar ownership (including all rightsholders). They also tend to be more likely in categories with expensive and long product development processes, such as video games and toys, and mostly in the entertainment sector where multiproperty franchises are common.

Disney/Marvel, Warner Bros., and Nickelodeon are among the many licensors that grant certain licensees the rights to multiple properties in their portfolios within the scope of a single deal.

Summary

In summary, while the basic royalty-guarantee-advance structure remains the foundation, many variations make their way into the final contract. The adage that everything is negotiable is more true today than ever before. The number of variations grows each year, and there are many possibilities beyond those discussed here.

As a property's performance and exposure rise or fall, adjustments can be made to royalty and guarantee rates. Cooperative marketing efforts or additional services provided by either the licensee or the licensor could affect the royalty rate. Deals surrounding a property that does not meet expectations early on can be adjusted for the long-term good of the property and the partners, while guarantee amounts and payment deadlines can be renegotiated to take schedule changes (e.g., delayed movie releases) into account. Royalties can vary by distribution tier, customer, property, product, territory or other elements. The length of the contract period also can play into the payment-structure negotiation.

In general, the riskier the property, the more creative the deal.

(Adapted from "The Licensing Business Handbook," 8th Edition, by Karen Raugust, published by EPM Communications, Inc.)

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PART II: ASSESSING ROYALTY TRENDLINES—STABILITY AS NEW DEALS REFLECT FRESH GUARANTEE, ADVANCE STRATEGIES

The licensing business continues to be founded on a combination of royalties, guarantees, and advances, along with additional elements such as common marketing funds. But there has been enormous pressure since the beginning of the recession in 2008 to be more creative and flexible about the ways in which those components relate to each other. Among the influencing factors are:

- Poor sales at retail;
- A diminished number of retail chains because of bankruptcies and mergers;
- Fewer doors as the surviving chains close under-performing outlets;
- An abundance of properties available for licensing;
- Competition from lower-priced private label and store brands (some of which are ironically based on licensed properties);
- An increase in the number of licensing-based direct-to-retail deals, which are structured somewhat differently from classic licensing agreements;
- More deals primarily intended to generate publicity rather than revenue;
- The reliance of manufacturers and retailers on a few top-tier properties;
- Rising manufacturing costs, making for thinner margins than ever.

Before the full brunt of the recession was realized, we were still able to say that these pressures didn't apply to the top tier of properties—the most desirable brands, entertainment properties, and celebrity names. Within the new industry norm, even the top tier isn't immune, although the effects are less acute.

The average royalty rate for licensed merchandise across all property types and product categories has been relatively stable at about 8.7% over the last decade.

Property Types and Product Categories

Fluctuations in royalty rates for individual property types and product categories have been statistically insignificant for the last 3–5 years, and in most instances for much of the last decade. Between 2011 and 2013, no sector changed more than one-tenth of one percentage point year-to-year. In 2014, entertainment/character broke this pattern, with an average royalty rate rising three-tenths of one percentage point. Of course, the performance of individual properties or products will vary more based on a variety of factors as discussed below.

Royalty Ranges

Perhaps most instructive is looking at the ranges of royalties reported in each sector. These typically reflect the difference between new and old, in-demand evergreen versus not-in-demand evergreen, mass versus specialty, and numerous other variables. (We should note, too, that hit versus evergreen is a factor primarily in certain sectors, such as entertainment/character licensing, and not as relevant to art, sports or trademark/brand properties.) The ranges are as wide as they have ever been, reflective of just how varied the deal-making is.

More than ever, though, royalties are perceived as only one element of a licensing deal. That's always been true, but the royalty rate itself is often most

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Exhibit 7

AVERAGE ROYALTY BY PROPERTY TYPE, 2006-2015

PROPERTY TYPE	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Art	6.7%	6.7%	6.2%	6.3%	6.2%	6.3%	6.3%	6.3%	6.3%	6.2%
*Artists**	—	—	6.5%	6.6%	6.4%	6.4%	6.4%	6.4%	6.4%	6.3%
*Museums**	—	—	6.4%	6.4%	6.1%	6.2%	6.2%	6.2%	6.2%	6.1%
Celebrities	—	—	10.2%	10.3%	10.1%	10.2%	10.2%	10.3%	10.3%	10.3%
*Entertainers/Models**	—	—	10.2%	10.3%	10.2%	10.3%	10.4%	10.4%	10.4%	10.5%
*Chefs/Home Related**	—	—	9.7%	9.8%	9.6%	9.7%	9.7%	9.7%	9.7%	9.7%
Collegiate*	—	—	9.8%	9.8%	9.8%	9.9%	9.9%	10.0%	10.0%	10.0%
Entertainment/Character	11.0%	10.3%	9.4%	9.8%	9.4%	9.3%	9.3%	9.4%	9.7%	9.8%
Estates*	—	—	10.2%	10.0%	9.8%	9.7%	9.7%	9.7%	9.7%	9.6%
Fashion	8.6%	7.7%	8.4%	8.5%	8.3%	8.4%	8.4%	8.5%	8.5%	8.5%
*Apparel**	—	—	8.4%	8.5%	8.3%	8.3%	8.3%	8.4%	8.4%	8.4%
*Footwear**	—	—	7.0%	7.0%	6.9%	7.1%	7.1%	7.1%	7.1%	7.1%
*Home**	—	—	7.5%	7.5%	7.4%	7.5%	7.5%	7.5%	7.5%	7.5%
Music	10.7%	10.6%	8.0%	8.1%	8.2%	8.2%	8.2%	8.3%	8.3%	8.2%
Non-profit	8.3%	7.5%	8.3%	8.6%	8.4%	8.4%	8.4%	8.3%	8.3%	8.3%
Publishing	8.5%	9.9%	8.6%	8.9%	8.7%	8.7%	8.7%	8.7%	8.6%	8.5%
*Books**	—	—	7.9%	8.0%	7.9%	8.0%	8.0%	8.0%	7.9%	7.9%
*Newspapers/Magazines**	—	—	8.0%	8.2%	8.1%	8.1%	8.1%	8.2%	8.2%	8.1%
*Comic Books/Strips**	—	—	9.5%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Sports	9.2%	9.2%	10.0%	10.1%	9.9%	9.9%	9.9%	10.0%	10.0%	10.0%
Trademarks/Brands	7.7%	7.6%	8.0%	7.9%	7.8%	7.8%	7.8%	7.8%	7.8%	7.7%
*Automotive/ Motor Vehicle**	—	—	4.0%	4.0%	4.0%	4.1%	4.1%	4.1%	4.1%	4.1%
*Food/Beverage**	—	—	5.4%	5.5%	5.6%	5.6%	5.5%	5.5%	5.5%	5.6%
*Restaurants**	—	—	5.9%	6.0%	6.0%	6.0%	5.9%	5.9%	5.9%	5.9%
*Sporting Goods**	—	—	7.0%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Traditional Toys/Games	9.8%	9.4%	8.0%	8.3%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Video Games/ Interactive/Online*	—	—	8.6%	8.8%	8.9%	8.9%	9.0%	8.9%	8.9%	8.9%
OVERALL AVERAGE	8.7%	8.7%	8.7%	8.8%	8.6%	8.7%	8.7%	8.7%	8.7%	8.7%

NOTES: Royalty estimates based on net wholesale price. Italics indicate subcategories. *Measured first time in 2008.

SOURCE: The Licensing Letter

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Exhibit 8

AVERAGE ROYALTY BY PRODUCT CATEGORY, 2006-2015

PRODUCT CATEGORY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Accessories	8.5%	9.1%	9.2%	9.1%	8.9%	9.1%	9.1%	9.1%	9.2%	9.1%
*Eyewear**	—	—	8.0%	8.0%	8.0%	8.2%	8.2%	8.2%	8.3%	8.3%
*Handbags, Backpacks, Messenger Bags**	—	—	9.1%	9.2%	8.9%	8.9%	8.9%	8.9%	9.0%	8.9%
*Headwear**	—	—	9.7%	9.8%	9.6%	9.7%	9.7%	9.8%	9.8%	9.9%
*Hosiery**	—	—	8.9%	8.8%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
*Jewelry & Watches**	—	—	7.6%	7.6%	7.5%	7.7%	7.7%	7.7%	7.8%	7.7%
*Luggage & Travel Accessories**	—	—	10.3%	10.4%	10.2%	10.2%	10.2%	10.2%	10.2%	10.1%
*Scarves & Ties**	—	—	7.3%	7.3%	7.2%	7.3%	7.3%	7.3%	7.3%	7.3%
Apparel	9.0%	9.6%	9.2%	9.5%	9.3%	9.3%	9.3%	9.4%	9.5%	9.5%
Consumer Electronics	8.0%	7.6%	5.0%	5.2%	5.2%	5.2%	5.2%	5.3%	5.3%	5.3%
Domestics	7.5%	8.8%	9.2%	9.3%	9.1%	8.9%	8.9%	8.9%	8.9%	8.9%
Food/Beverages	8.7%	6.7%	6.9%	7.2%	7.2%	5.9%	5.9%	5.9%	6.0%	6.0%
Footwear	8.0%	9.0%	8.1%	8.2%	8.0%	8.1%	8.1%	8.2%	8.2%	8.1%
Furniture/ Home Furnishings	7.5%	7.3%	7.9%	7.7%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Gifts/Novelties	8.3%	9.6%	9.1%	9.3%	9.0%	9.0%	8.8%	8.8%	8.7%	8.6%
HBA	7.9%	8.0%	9.3%	9.1%	9.0%	8.9%	8.9%	9.0%	9.0%	9.0%
*Fragrance**	—	—	9.1%	9.2%	9.2%	9.2%	9.2%	9.3%	9.3%	9.3%
*Hair Accessories**	—	—	8.4%	8.5%	8.3%	8.3%	8.4%	8.4%	8.4%	8.4%
Housewares	5.4%	8.0%	6.3%	6.2%	6.1%	6.3%	6.3%	6.3%	6.3%	6.3%
Infant Products	7.3%	8.6%	8.9%	8.7%	8.6%	8.7%	8.7%	8.7%	8.7%	8.7%
Publishing	9.3%	9.8%	10.4%	10.1%	9.8%	9.8%	9.8%	9.7%	9.7%	9.7%
Sporting Goods	6.8%	9.8%	10.3%	10.1%	9.9%	9.8%	9.8%	9.8%	9.8%	9.8%
Stationery/Paper	6.9%	8.7%	9.3%	9.5%	9.3%	9.2%	9.1%	9.1%	9.0%	8.9%
Toys/Games	8.9%	9.7%	11.4%	10.8%	10.6%	10.4%	10.4%	10.4%	10.4%	10.4%
Video Games/Software	8.3%	8.4%	11.3%	10.6%	10.5%	10.5%	10.5%	10.4%	10.5%	10.5%
OVERALL AVERAGE	8.7%	8.7%	8.7%	8.8%	8.6%	8.7%	8.7%	8.7%	8.7%	8.7%

NOTES: Royalty estimates are based on net wholesale price. Italics indicate subcategories. *Measured first time in 2008.

SOURCE: The Licensing Letter

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at the forefront. Most of the flexibility in deal-making is in guarantees and advances, but every element of the compensation package is up for negotiation.

Value of 10-Year Trendlines

Royalty rates for licensed merchandise have remained relatively stable for a decade.

It is important to look at 10-year trend lines (see also Sections III and IV for individual charts). These tend to blunt the impact of anomalies in a given year-to-year comparison. Any given year's data is influenced by:

- The presence of blockbuster properties, which have a tendency to buoy the spirits of respondents who equate their best numbers to performance of the sector; and
- The norms and business models of the specific property type, product category and retail tier involved in any given agreement.
- Who and how many executives respond to *TLL's Annual Licensing Business Survey*.

Retail Consolidation

Retail consolidation has been an important factor in the licensing industry for most of the past decade. Mergers, acquisitions, and failures in the retail ranks cut down on the number of major buying offices to which merchandise can be sold, so that market power is concentrated in the hands of a relative few. That said, much energy is expended by licensors, agents, and licensees on uncovering retail channels that are still relatively under-utilized for distribution of licensed merchandise. These include supermarkets, drug and convenience stores, and dollar and other so-called "value" retailers.

The loss of outlets for licensed merchandise in 2008-2013 is stunning: Borders, Steve & Barry's, Goodys, Mervyn's, Linens & Things, Sharper Image, Circuit City, Blockbuster. Name a product category, and a significant player has been lost. In 2013 and 2014, stores such as Best Buy, Sears, Radio Shack, Hot Topic, and JCPenney experienced critical challenges, closing some stores as they enact new strategies and formats to turn things around.

As a result of consolidation and the general tight retail environment there is a decrease in available shelf space for all but the most familiar or successful properties. Private label is a growing factor in the decrease of shelf space available to licensed properties too, with major retailers maintaining and expanding their own product development capabilities.

There has also been an upsurge in the number of very broad, multi-category direct-to-retail (DTR) deals that retailers are entering into as a form of private label. Each of those deals, in the words of one agent, "sucks up floor space" that otherwise would be competed for by multiple licensed properties.

For example, designer Vera Wang's licensing agreement with Kohl's covers product classifications that include sportswear, intimate apparel, handbags, leather accessories, jewelry, footwear, bedding, and towels. The Better Homes & Gardens brand has over 3,000 SKUs in home and other departments throughout Walmart.

Some DTR deals are more targeted, such as drugstore chain CVS licensing Nuance Salma Hayek for cosmetics, or Williams Sonoma licensing Marvel characters for children's cooking tools and gadgets.

In most cases, these DTR deals carry a lower royalty rate based on retail selling price rather than net wholesale price, as is the norm in typical deals with manufacturers. They may also be associated with alternative deal structures.

Property Overload

Another drag on royalties is the sheer number of properties available for licensing.

A historically strong entertainment/character property such as Star Wars or Hello Kitty, or a popular fashion brand that's seen as "hot," will always command higher than average royalties, guarantees, and advances from manufacturers competing for it. But for the rest of the business, there is a general

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acknowledgement that there are more properties being pitched to manufacturers and retailers than there is room on key retailers' shelves.

In essence, licensing business norms are subject to the same classic laws of supply and demand as any other business. All sides are negotiating with the knowledge of what else is out there. Thus, the deal-making dance continues.

Increasingly, licensors, agents, and manufacturers are discovering that they are not competing with other licensed merchandise. They are competing with an entire category—for both shelf space and consumer attention. This places still greater pressure on royalties, as commodification dukes it out with differentiation.

The primary effect that retail consolidation has on royalty rates is that large retailers, including Wal-Mart and Target, flex their muscles by insisting on specific price points and margins. In some cases, major retailers have injected themselves into the licensor/licensee negotiation, asking the property owner to justify the cost of a license. Larger retailers will even dictate to a licensor which licensees they are willing to work with.

Add-Ons

Common marketing funds (CMFs), also known by some as market development funds (MDFs), are becoming increasingly common, at least for some property types.

Such funds—generally one or two percentage points above the formal royalty rate—are charged to the licensee as an add-on for activities that specifically are devoted to promoting the brand or character in ways that a single licensee couldn't do on its own. It's a common practice in fashion brand licensing and among some of the larger entertainment studios, and is increasingly being sought by trademark/brand and other property owners as well.

Some licensees protest that the basic licensing royalty is supposed to fund just such initiatives. Asks one licensee, in a common refrain, "If it's a 10% royalty with a 2% CMF, why not just call it a 12% royalty?"

The CMF is earmarked for marketing—though licensees argue that that's what the royalty should be fundamentally for, or at least a portion of it. A licensor would counter that the royalty covers their expenses for running the program, managing approvals, and, reasonably enough, builds in profit.

In the studio world, however, some executives say that if the same money simply went into the royalty, part of it would potentially be siphoned off by directors or stars who have profit participation in a film. Segregating marketing money into a CMF thus shields that income from other participants and assures that all of that money can go to marketing.

Increasingly, licensors of hot properties are also seeking separate advertising funds, also in the 1%–2% range. Much depends on how such funds are defined, and the bottom line is while some licensors seek 1%–2% each for CMF and advertising fund, many settle for a combined 1%–1.5%. (In most instances, advertising would be included in the CMF.)

In other cases, agreements require commitments by the licensee to a specific level of spending on marketing and advertising for the licensed line. One licensor of a corporate brand has no MDF program, but asks licensees to put aside a certain amount of money for pooled advertising programs that may arise during the year. Other licensors will permit licensees to control the equivalent amount to the CMF or MDF program themselves, subject to licensor approval.

Linking Royalties To Sales Benchmarks

Though they represent a relatively small part of the business—fewer than 20% of all deals—the number of agreements that call for royalty rate adjustments as certain volume benchmarks are achieved seems to be increasing.

In some cases, an agreement for escalating royalties can represent a negotiated compromise. Where a licensor and licensee disagree on the size of the

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potential business, the licensor might accept a smaller guarantee but agree to an increase of a point or two in the royalty rate once a defined sales level is reached.

In most cases, such agreements call for the royalty to rise as a specific benchmark is achieved. The theory is that the licensee's high startup costs have been covered by the initial sales at a lower rate, and now that the manufacturing engine is revved up, a higher royalty rate can be absorbed. From the licensee's perspective, grouses one, "it feels like you're getting penalized for success."

Following that line of thinking, the theory behind descending rates is that the licensee is incentivized to maximize sales. As the amount of goods sold reaches a particular benchmark, the manufacturer is rewarded with a lower rate.

Another add-on is mostly specific to the fashion apparel business: the licensing agreement might include a design studio fee in addition to basic royalty and CMF.

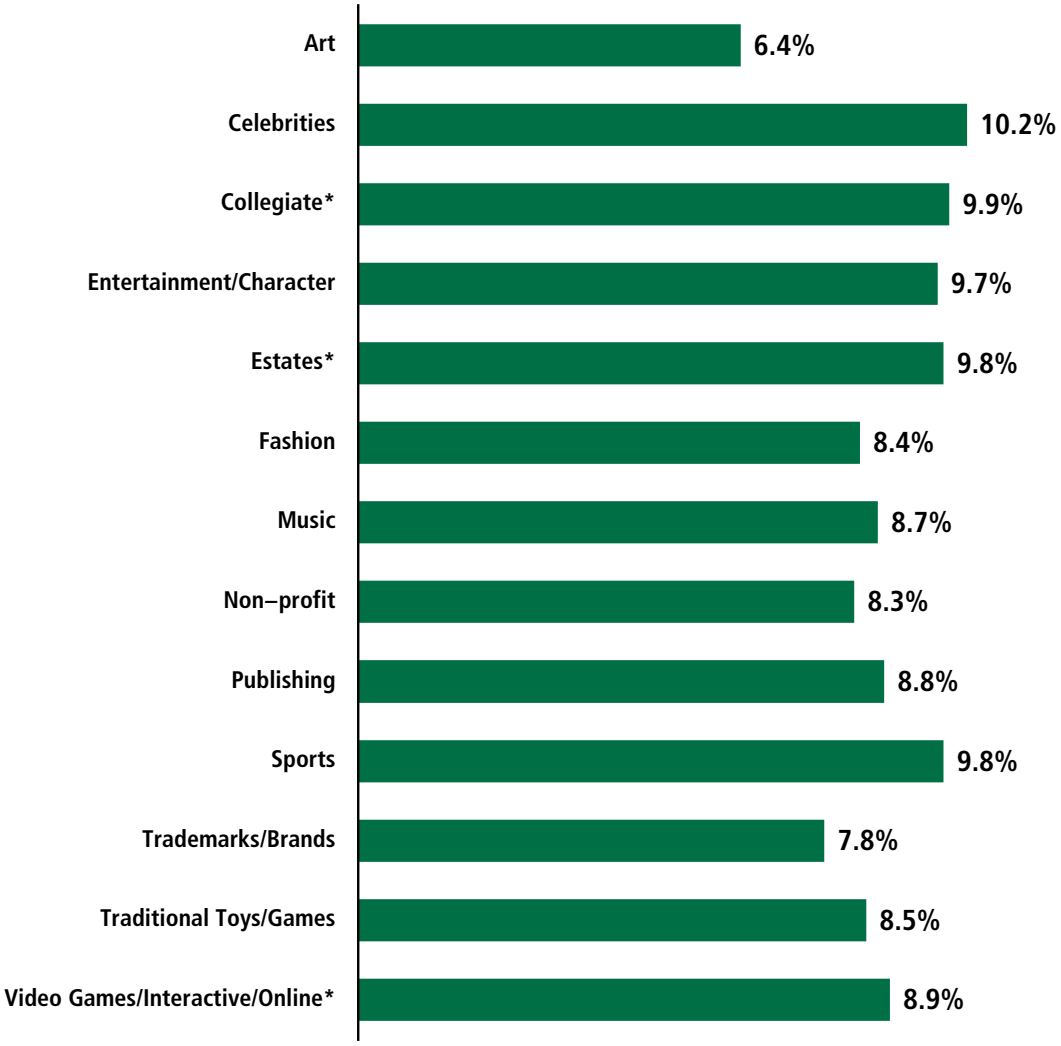
Guarantees

The textbook formula defines a guarantee as half of each year's projected royalty payments, and in many cases, that's how it plays out. The advance is a percentage of the guarantee; 20%–30% is the most commonly cited range and the advance is paid when the deal is signed.

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PART III: ROYALTY RATES BY PROPERTY TYPE

10-YEAR AVERAGE OF REPORTED ROYALTIES, BY PROPERTY TYPE, 2006-2015



* Rolling average is for 2008-2015 only.

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Royalty Profile for Art-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $5.67 billion
Art & Artists: $4.23 billion
Museums: $1.44 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 5.5%
Art & Artists: 4.1%
Museums: 1.4%

Average royalty, U.S./Canada, 2015: 6.2%
Art & Artists: 6.3%
Museums: 6.1%

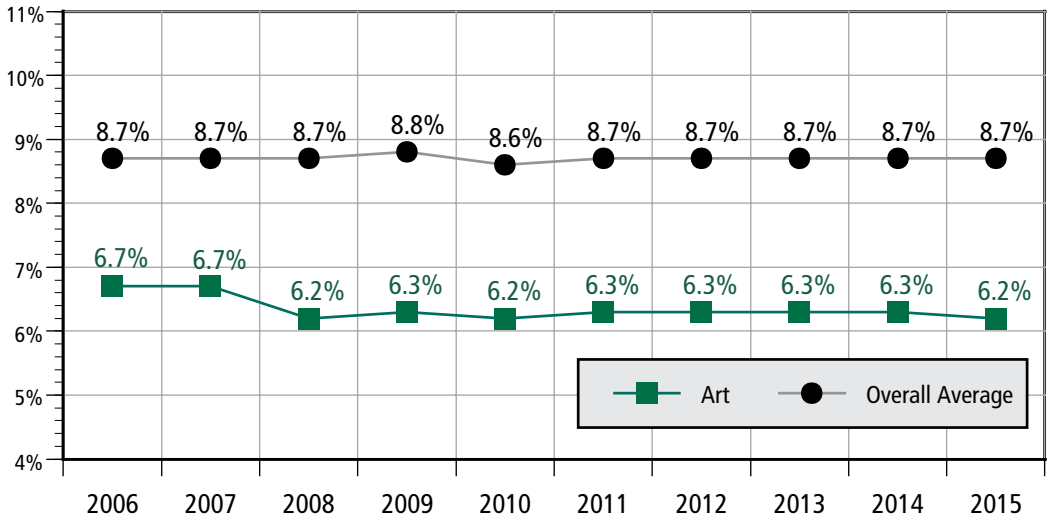
Royalty range, U.S./Canada, 2015: 4%–12%
Art & Artists: 4%–12%
Museums: 4%–15%

Average royalty, U.S./Canada, 10 years
2006-2015: 6.4%
2008-2015:
Art & Artists: 6.4%
Museums: 6.2%

Analysis: The average royalty for art properties has remained relatively stable at 6%–7% over the past decade. Royalty rates within product categories can vary, depending on whether the product is targeted for mass (lower rate) or specialty distribution. Art & artists accounts for the bulk of this sector, and commands a slightly higher rate than museums.

Some contemporary artists and photographers with identifiable styles can command royalties a couple of points higher than others. Advances can be tough to come by for newer artists, and there is competition from artists willing to sell rather than license their work, although the latter group's numbers are decreasing.

For some fine artists, the royalty is less significant than the exposure, publicity, and other factors that can affect the value of their works overall. For surface designers, royalties form the bulk of their income, and the royalty rate is important.



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Royalty Profile for Celebrity-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $5.68 billion
Entertainers/Models: $2.59 billion
Chefs/Home-Related: $2.13 billion
Other: $0.97 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 5.5%
Entertainers/Models: 2.5%
Chefs/Home-Related: 2.1%
Other: 0.9%

Average royalty, U.S./Canada, 2015: 10.3%
Entertainers/Models: 10.5%
Chefs/Home-Related: 9.7%

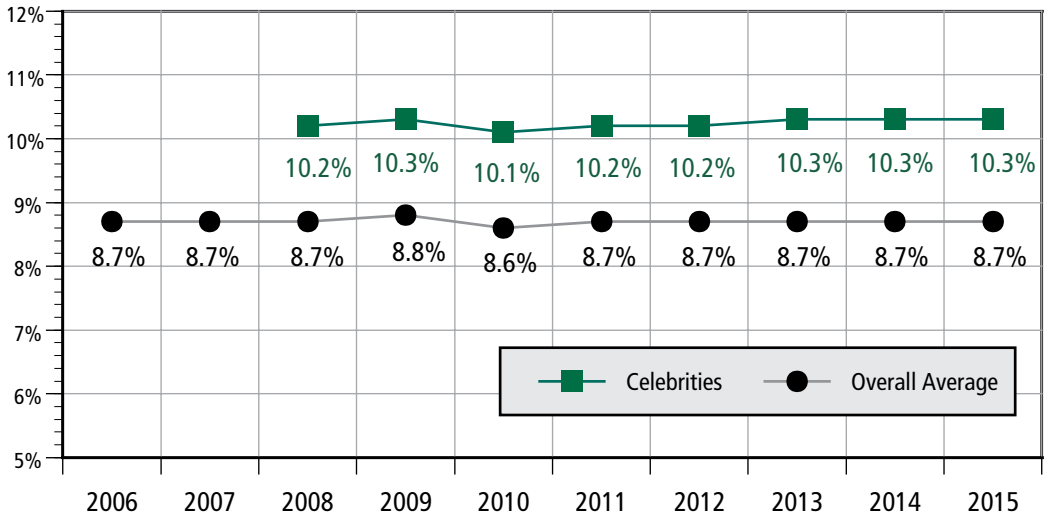
Royalty range, U.S./Canada, 2015: 3%–18%
Entertainers/Models: 4%–16%
Chefs/Home-Related: 2%–18%

Average royalty, U.S./Canada, 2008-2015: *10.2%*
Entertainers/Models: 10.3%
Chefs/Home-Related: 9.7%

Analysis: Much of the growth in this sector over the last decade has come in the fashion and HBA categories. Fragrances and beauty products have become popular. Others are active in home furnishings, jewelry, apparel, and related categories. Digital native celebrities such as fashionista Bethany Mota and makeup expert Michelle Phan are also a growing presence.

Similarly, there has been an explosion in popularity of celebrity chefs such as Guy Fieri, Rachael Ray, Mario Batali, Emeril Lagasse and Wolfgang Puck. Merchandise can be seen in categories from pots and pans, to dressings and marinades.

Both fragrances and kitchen staples such as cookware are relatively high-priced and, at least in these categories, sometimes command a premium from the consumer at retail. This can contribute to above-average royalty rates.



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Royalty Profile for Collegiate-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $3.42 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 3.3%

Average royalty, U.S./Canada, 2015: 10.0%

Royalty range, U.S./Canada, 2014: 5%–18%

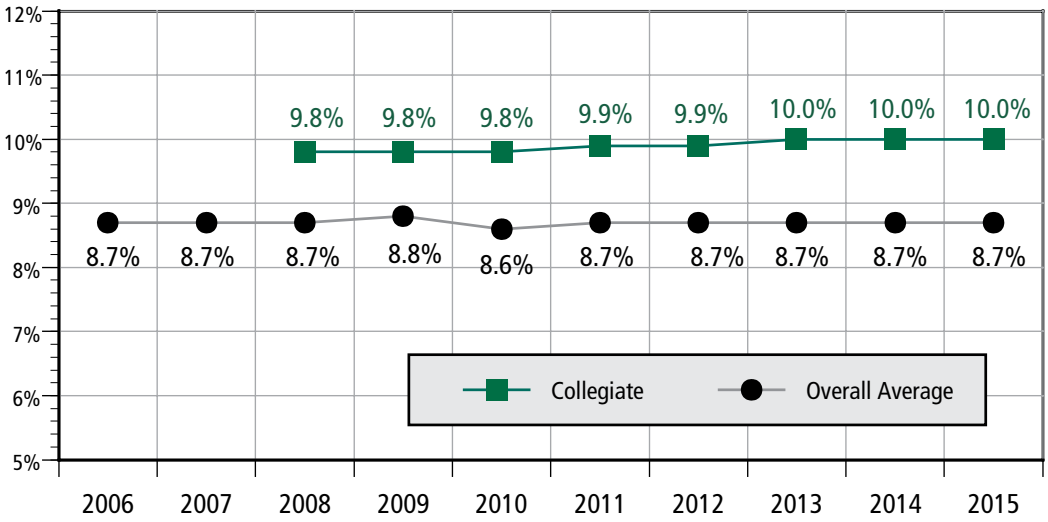
Average royalty, U.S./Canada, 2008-2015: 9.9%

Analysis: The asking price for most collegiate licenses is usually in the 10% range, similar to the average for professional sports leagues.

Influencing the overall average are schools that charge a higher rate for goods specifically commemorating a national sports championship run, a berth in a college bowl game, or an appearance in the Final Four, while some schools that are not nationally known will be a point or two below the average. And of course, there are variations based on product category.

Some of the larger schools with strong sports teams, such as Ohio State, command rates as high as 18%—though University of Michigan says it averages 10% across all product categories.

About three-fourths of all collegiate licensing is handled by a single agent, IMG's Collegiate Licensing Company (CLC).



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Royalty Profile for Entertainment/Character-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $11.88 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 11.5%

Average royalty, U.S./Canada, 2015: 9.8%

Royalty range, U.S./Canada, 2015: 4%–20%

Average royalty, U.S./Canada, 10 years 2006-2015: 9.7%

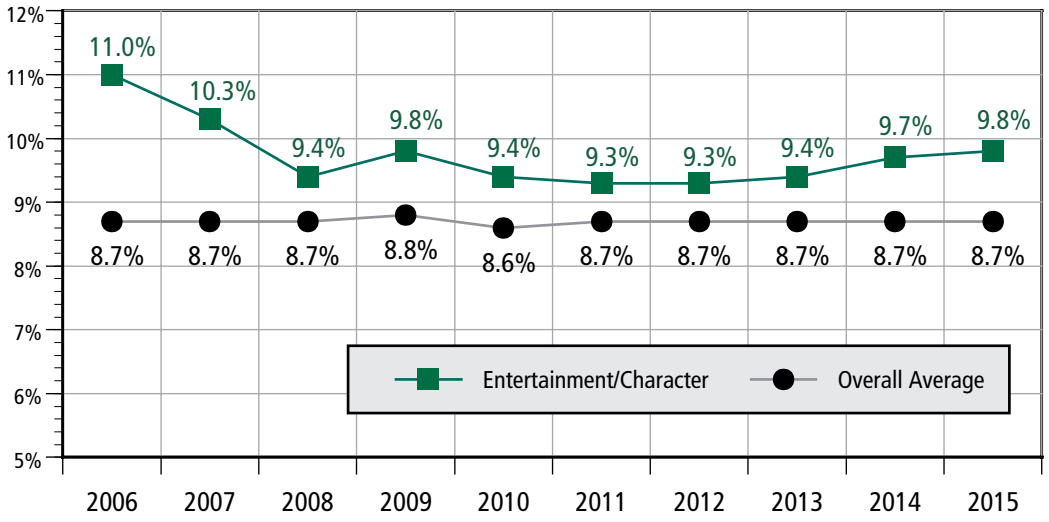
Analysis: The average royalty for the entertainment/character sector has historically been at the high end of the spectrum for all properties and began climbing back up in 2014 after four years in the 9.3% to 9.4% range.

Entertainment/character royalties are generally at the higher end of the spectrum because hot properties and proven franchises such as Batman, Star Wars, Cars, Hello Kitty, and Disney Princess can generate royalties of as much as 20%.

However, short of a handful of properties, the "reality" is closer to the overall licensing-business average, falling in the 8%–12% range.

Longer-term "evergreen" properties beyond the powerhouses cited above tend toward slightly lower royalty rates. That said, Disney and its Pixar, Marvel, and Lucasfilm divisions account for over half of all entertainment/character-based licensing in the U.S. and Canada, thereby single-handedly raising the sector average.

In some cases, royalty rates depend on the retail tier at which the goods are to be sold, with lower percentages for mass merchandisers, higher for specialty and/or department store distribution where margin requirements are less onerous.



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Royalty Profile for Estate-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $2.27 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.2%

Average royalty, U.S./Canada, 2015: 9.6%

Royalty range, U.S./Canada, 2015: 4%–18%

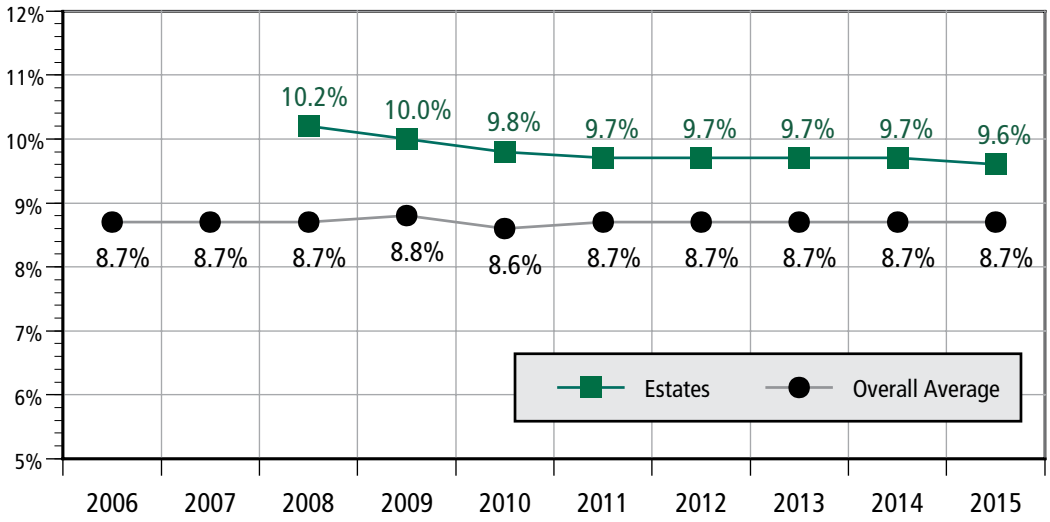
Average royalty, U.S./Canada, 2008-2015: 9.8%

Analysis: Increasingly, the fame of deceased celebrities is being leveraged to create lifestyle brands.

Historically, much of the licensing business for estates has been in advertising applications, where deals are structured according to the amount of the media buy or as a flat fee, rather than as royalty-based transactions that are the norm for consumer products deals.

That said, when deceased celebrities are used for licensed consumer products, their estates, on average, command a royalty premium more than a full percentage point above the overall average across all licensed properties.

There is also a nascent trend toward the purchase of estate merchandising rights by venture capital and private equity firms. Examples include Peanuts, Marilyn Monroe, Elvis Presley, and Bob Marley, among others.



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Royalty Profile for Fashion-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $20.94 billion
Apparel: $17.80 billion
Footwear: $2.48 billion
Home: $0.67 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 20.3%
Apparel: 17.2%
Footwear: 2.4%
Home: 0.6%

Average royalty, U.S./Canada, 2015: 8.5%
Apparel: 8.4%
Footwear: 7.1%
Home: 7.5%

Royalty range, U.S./Canada, 2015: 2%–16%
Apparel: 5%–16%
Footwear: 2%–14%
Home: 2%–14%

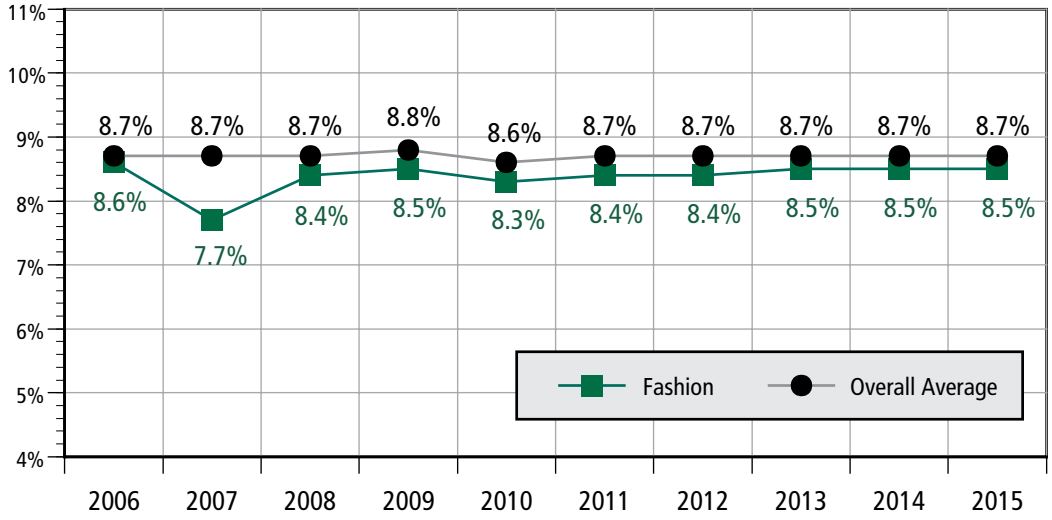
Average royalty, U.S./Canada, 10 years 2006-2015: *8.4%*
2008-2015:
Apparel: 8.4%
Footwear: 7.0%
Home: 7.5%

Analysis: While royalty rates for fashion brands tend to run below the industrywide averages, in part because of the very competitive landscape, they are often supplemented by additional charges such as market development funds and design services. Each can add 1–2 percentage points to the royalty rate.

Fashion properties skew toward long-term, branded programs with relatively few "hot" properties that can command higher royalties during short periods.

The glut of licensed brands and shrinkage of available retail space make for particularly intense competition in fashion. It is difficult for brands to get on the floor unless they are established labels like Ralph Lauren, Calvin Klein, and Donna Karan or hot designers like Tory Burch.

In home goods, some very high-profile designers are said to get more than double typical royalties business-wide on goods sold through department and specialty stores.



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Royalty Profile for Music-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $2.45 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.4%

Average royalty, U.S./Canada, 2015: 8.2%

Royalty range, U.S./Canada, 2015: 4%–20%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.7%

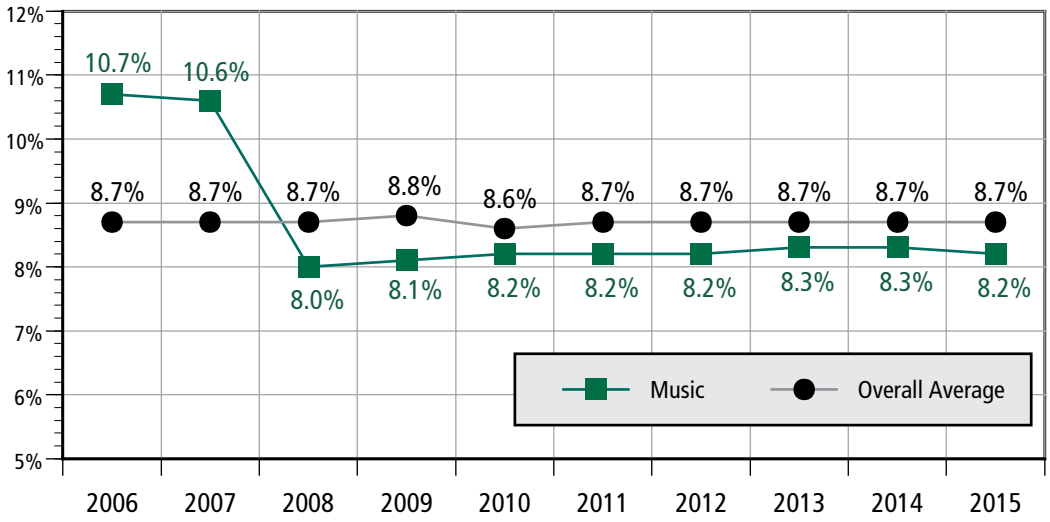
Analysis: There are fewer deal norms for music than for most other categories, and a wider range of royalties—in fact, wider than reflected in the specific responses we tallied. The exceptional range reflects the relative value of superstars versus others.

Historically, merchandise based on music was mostly of the "souvenir" variety—t-shirts, jackets, pins, etc.—whether for sale at concert venues or for general retail distribution. Today, the split is closer to 50/50 venue vs. traditional retail sales.

This varies widely, however, depending on the act. Heavy touring bands tend to sell more merchandise at performance venues, which often generates royalties in the high teens or even low 20% range.

However, a number of superstars in recent years have sought to leverage their musical celebrity into branding or lifestyle programs, anchored in fashion apparel and fragrance lines. Jennifer Lopez and Marc Anthony, for example, have an exclusive line at Kohl's, while Jessica Simpson is more a fashion brand than singer today. Others are licensed into electronics and food/beverages. Madonna, Justin Timberlake, Britney Spears, Trisha Yearwood, and Gwen Stefani are just a few of the musicians extending their brands though licensing.

These lifestyle programs command lower average royalties than venue sales, but have the potential to generate substantially higher volumes.



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Royalty Profile for Non-Profit-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $1.25 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 1.2%

Average royalty, U.S./Canada, 2015: 8.3%

Royalty range, U.S./Canada, 2015: 4%–14%

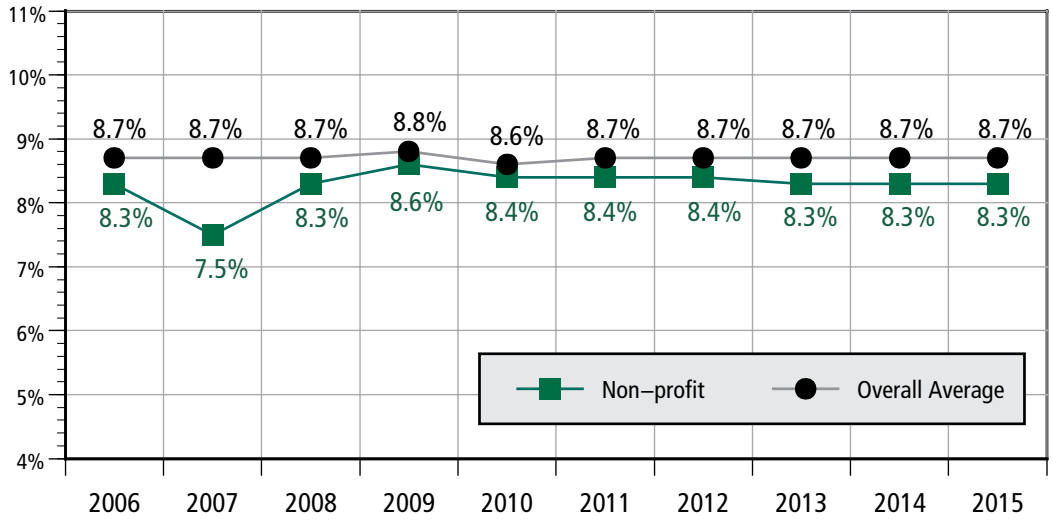
Average royalty, U.S./Canada, 10 years 2006-2015: 8.3%

Analysis: The running 10-year average royalty for the non-profit sector is lower than for many other categories. Non-profits compete with entertainment properties and widely known brands for licensees, and that competitive landscape helps bring royalties down.

Some non-profit licensing programs take the form of co-branding efforts—attaching a feel-good non-profit to an existing national brand. This is typically for exposure but it is also intended to generate revenue. The point is to raise money for the organization and to leverage the consumer's desire to "participate" in a non-profit's mission which in turn sells more products for the brand.

Such deals tend to bring lower royalty rates to the licensor. Indeed, sometimes such agreements aren't traditional licenses and may not involve royalties (in which case we don't actually track them); for example, they may reflect payment of a flat fee, or the organization may receive prominence in advertising and marketing campaigns. They may also take the form of "endorsement" deals, where the non-profit logo appears in small size in the licensee's otherwise-normal packaging; royalties can be as low as 1%–2% for such configurations.

Non-profit licensing programs most commonly center on healthcare, environment/nature, and relief/social service organizations.



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Royalty Profile for Print Publishing-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $4.51 billion
Books: $0.49 billion
Newspapers/Magazines: $2.76 billion
Comic Books/Strips: $1.26 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 4.4%
Books: 0.5%
Newspapers/Magazines: 2.7%
Comic Books/Strips: 1.2%

Average royalty, U.S./Canada, 2015: 8.5%
Books: 7.9%
Newspapers/Magazines: 8.1%
Comic Books/Strips: 9.6%

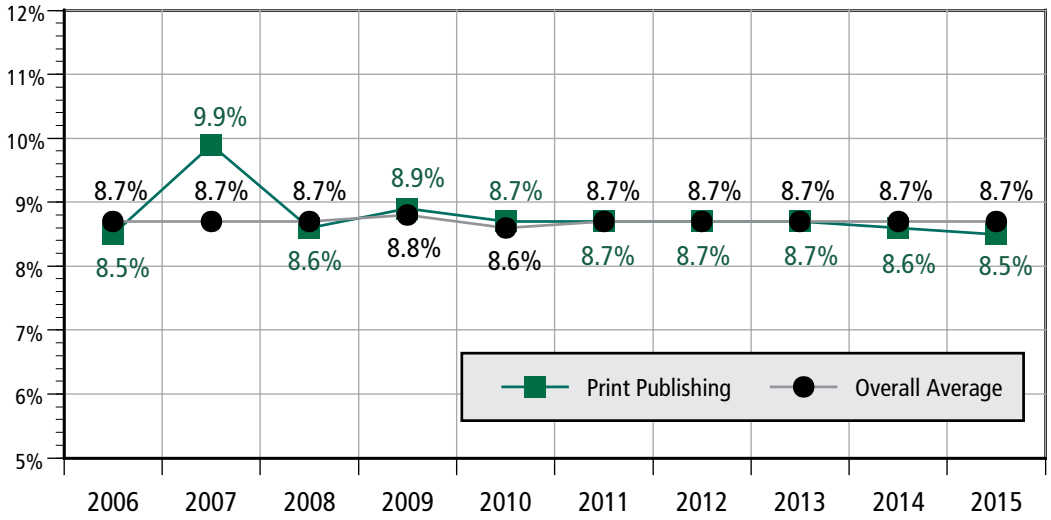
Royalty range, U.S./Canada, 2015: 2%–18%
Books: 6%–14%
Newspapers/Magazines: 2%–12%
Comic Books/Strips: 5%–18%

Average royalty, U.S./Canada, 10 years
2006-2015: *8.8%*
2008-2015:
Books: 8.0%
Newspapers/Magazines: 8.1%
Comic Books/Strips: 9.6%

Analysis: Publishing has been steadily declining since 2007, with only a brief uptick in 2009.

Comic books/strips command the highest royalties, on average, similar to those for some entertainment properties. Magazine brands tend to run below the business-wide average, as do corporate brands in general. The popularity of magazines for direct-to-retail deals also lowers the average.

A property that draws 8% as a book series can graduate to 10%–12% when TV or other entertainment is added to the mix.



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Royalty Profile for Sports-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $14.79 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 14.3%

Average royalty, U.S./Canada, 2015: 10.0%

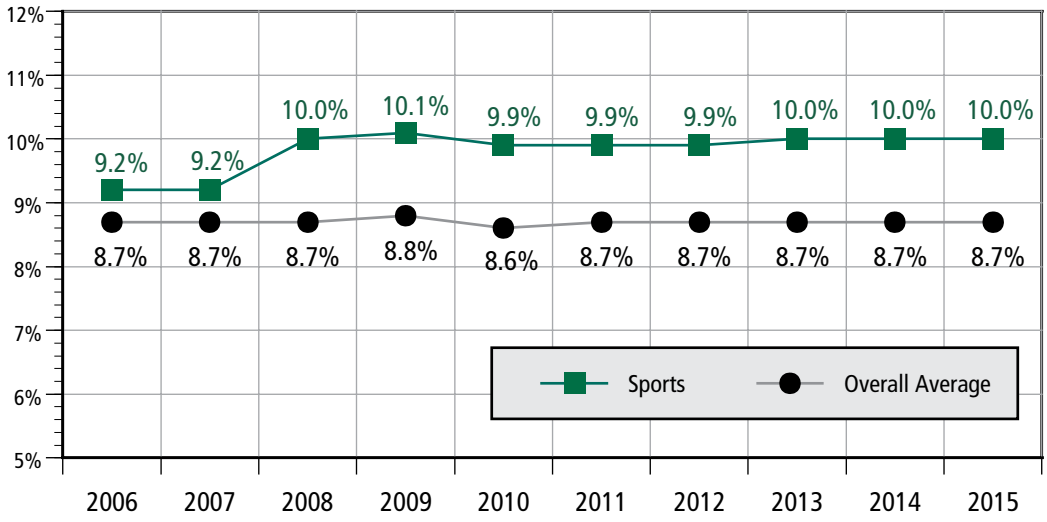
Royalty range, U.S./Canada, 2015: 5%–18%

Average royalty, U.S./Canada, 10 years 2006-2015: 9.8%

Analysis: Sports and collegiate (which has a strong sports connection) were the only two property types, other than celebrity, to hit 10% average royalty rates in the last couple of years. For some, however, royalty rates were boosted even further as large-scale exclusive deals were developed within major categories such as video games and on- and off-field apparel.

That kind of arrangement raises the royalty rate a point or two more, and also generates a higher guarantee and generally higher marketing commitments on the part of the licensee.

Some categories, such as trading cards, involve multiple royalties—for player likenesses as well as league and team logos—that can drive the total royalty to 18%–20%. Similarly, most NASCAR-licensed goods involve paying about 10% to the driver and team, and another 2% to NASCAR, whose logo acts essentially as a seal of authenticity.



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Royalty Profile for Trademark/Brand-based Licensed Merchandise

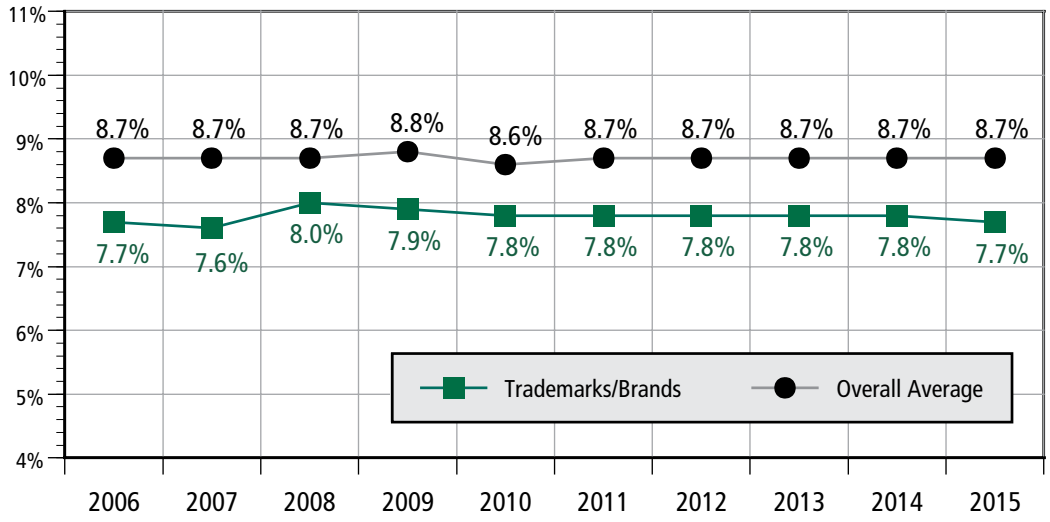
Sector value, U.S./Canada, 2015: $27.65 billion
Automotive/Motor Vehicle: $4.14 billion
Food/Beverage: $7.60 billion
Restaurants: $4.63 billion
Sporting Goods: $1.32 billion
Hardware, Appliance & Tool: $2.82 billion
Home-related: $0.39 billion
Electronics/Technology: $3.23 billion
Electronic Media: $0.22 billion
Other: $3.30 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 26.8%
Automotive/Motor Vehicle: 4.0%
Food/Beverage: 7.4%
Restaurants: 4.5%
Sporting Goods: 1.3%
Hardware, Appliance & Tool: 2.7%
Home-Related: 0.4%
Electronics/Technology: 3.1%
Electronic Media: 0.2%
Other: 3.2%

Average royalty, U.S./Canada, 2015: 7.7%
Automotive/Motor Vehicle: 4.1%
Food/Beverage: 5.6%
Restaurants: 5.9%
Sporting Goods: 7.0%

Royalty range, U.S./Canada, 2015: 1%–16%
Automotive/Motor Vehicle: 1%–16%
Food/Beverage: 1%–10%
Restaurants: 4%–8%
Sporting Goods: 6%–14%

Average royalty, U.S./Canada, 10 years 2006-2015: *7.8%*
2008-2015:
Automotive/Motor Vehicle: 4.1%
Food/Beverage: 5.5%
Restaurants: 5.9%
Sporting Goods: 7.0%



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Analysis: Royalty rates for licensing based on corporate brands and trademarks tend to run a percentage point or two lower than industry-wide averages, and are usually built on longer-term relationships than, for example, entertainment-based licenses are.

The range of royalties stretches to the extreme low end (1%), with competition among brands an additional factor keeping rates in this sector below the average.

Royalty rates in this sector in particular are often largely dependent on the retail tier for which the licensing program is directed. Royalties for products headed for mass distribution are generally two points or so below those headed for specialty channels, since the margin requirements of mass merchandisers limit the amount of royalty that can be absorbed into the retail price.

That's particularly true for food brand extensions that will be sold through supermarkets, where retail margins are slimmer than elsewhere. This is a significant sector within corporate licensing and brings the overall average down.

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Royalty Profile for Traditional Toys/Games-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $1.38 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 1.3%

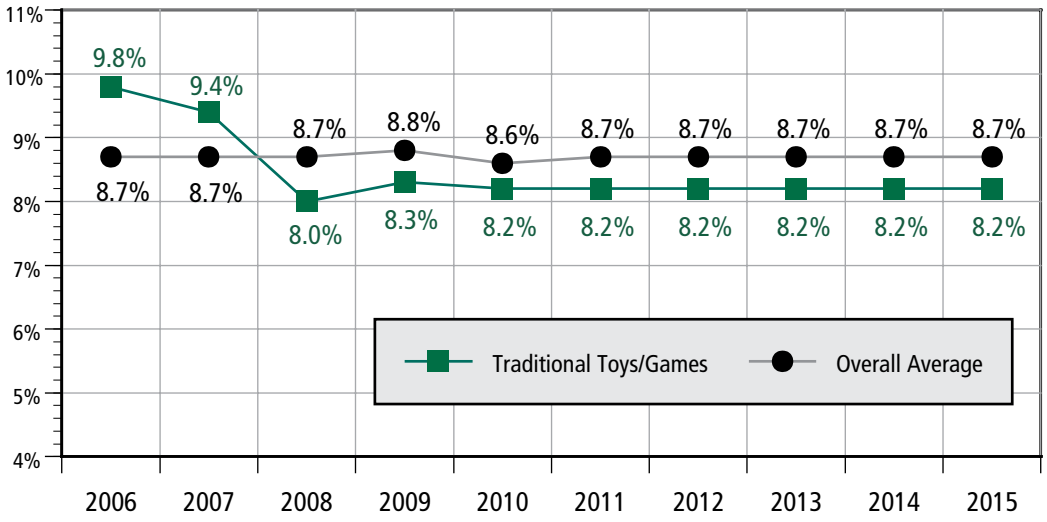
Average royalty, U.S./Canada, 2015: 8.2%

Royalty range, U.S. & Canada, 2015: 5%–12%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.5%

Analysis: Licensing programs based on popular toys and games leverage both the entertainment equity of the toy as well as the power of a brand program, so it makes sense that royalty rates in this category generally have been close to the industry-wide average.

Hot current brands carry royalty rates similar to those of hot entertainment properties (10%–14%), while those of more everyday brands, or those that may be used in retro apparel or other programs, carry royalties that are closer to those of corporate brands in general (6%–9%).



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Royalty Profile for Video Games/Interactive/ Online-based Licensed Merchandise

Sector value, U.S./Canada, 2015: $0.59 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 0.6%

Average royalty, U.S./Canada, 2015: 8.9%

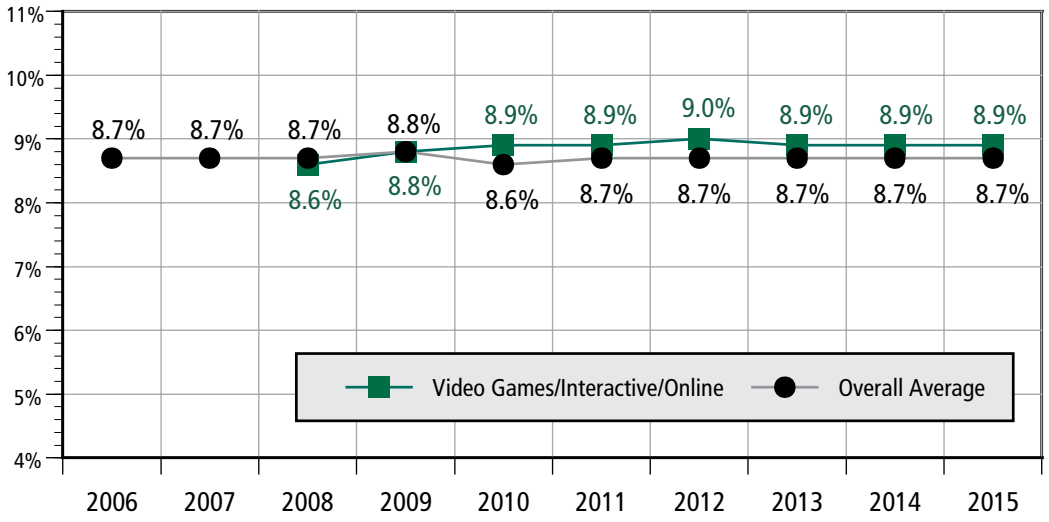
Royalty range, U.S. & Canada, 2015: 6%–15%

Average royalty, U.S./Canada, 2008-2015: 8.9%

Analysis: Licensing programs based on classic interactive games such as Super Mario, Sonic the Hedgehog, Tetris, Halo, and World of Warcraft have been around for years, and they are as strong as ever in today's licensing landscape.

Meanwhile mobile, YouTube, virtual world, Twitter, blogger, and other newer interactive sectors are emerging. The best example to date is Angry Birds, which faded in popularity after 2013 and is expected to rise again for 2016.

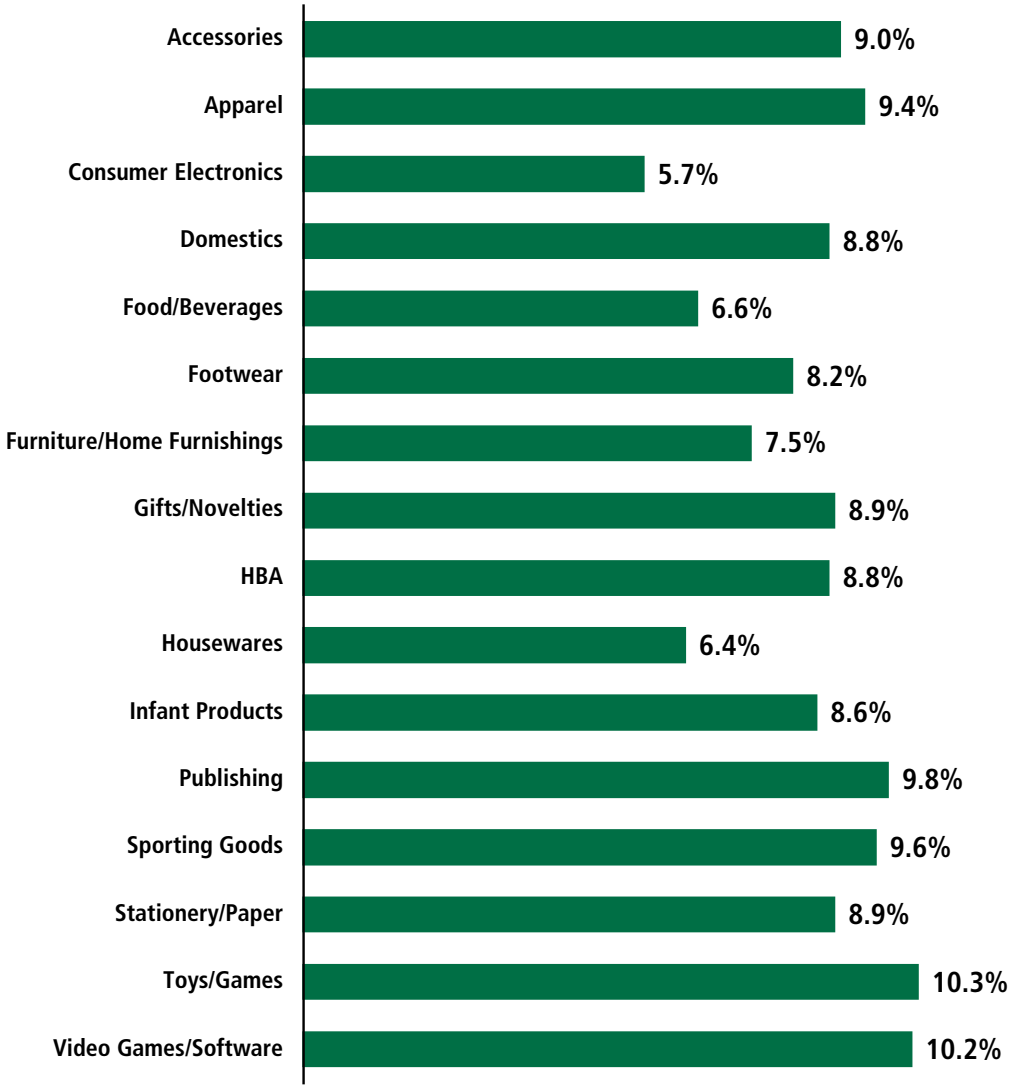
Interactive properties ranging from Annoying Orange to Sonic have made their way to television. In these cases, there may be separate licensing programs for the TV and interactive-based portions of the property, with different royalty structures for each.



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PART IV: ROYALTY RATES BY PRODUCT CATEGORY

10-YEAR AVERAGE OF ROYALTIES, BY PRODUCT CATEGORY, 2006-2015



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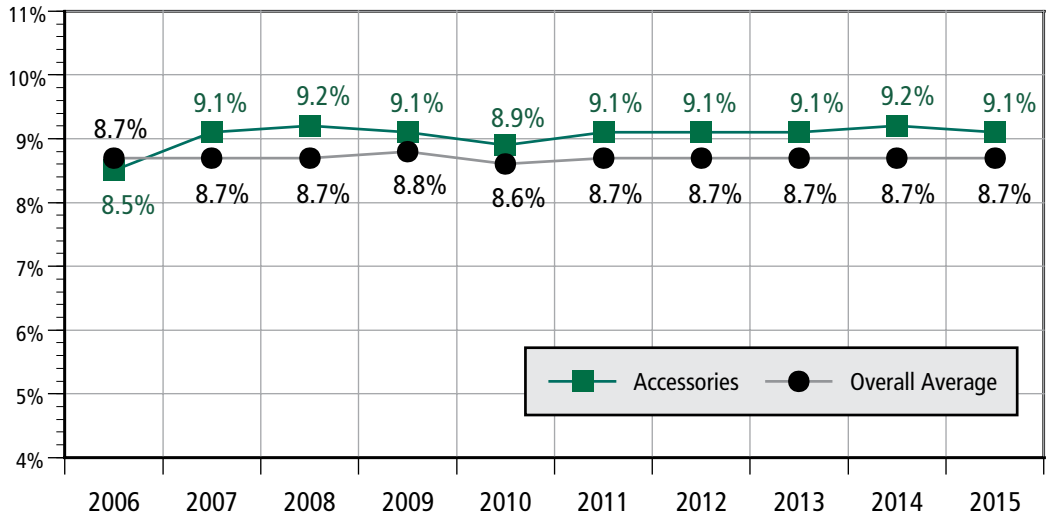
Royalty Profile for Licensed Accessories

Sector value, U.S./Canada, 2015: $14.91 billion
Eyewear: $4.75 billion
Handbags, Backpacks, Messenger Bags: $2.05 billion
Headwear: $1.38 billion
Hosiery: $0.58 billion
Jewelry & Watches: $3.49 billion
Luggage & Travel Accessories: $1.45 billion
Scarves & Ties: $0.15 billion
Other: $1.07 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 14.4%
Eyewear: 4.6%
Handbags, Backpacks, Messenger Bags: 2.0%
Headwear: 1.3%
Hosiery: 0.6%
Jewelry & Watches: 3.4%
Luggage & Travel Accessories: 1.4%
Scarves & Ties: 0.1%
Other: 1.0%

Average royalty, U.S./Canada, 2015: 9.1%
Eyewear: 8.3%
Handbags, Backpacks, Messenger Bags: 8.9%
Headwear: 9.9%
Hosiery: 8.6%
Jewelry & Watches: 7.7%
Luggage & Travel Accessories: 10.1%
Scarves & Ties: 7.3%

Royalty range, U.S./Canada, 2015: 3%–18%
Eyewear: 5%–16%
Handbags, Backpacks, Messenger Bags: 5%–18%
Headwear: 7%–14%
Hosiery: 5%–14%
Jewelry & Watches: 3%–18%
Luggage & Travel Accessories: 5%–18%
Scarves & Ties: 5%–14%



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Average royalty, U.S./Canada, 10 years
2006-2015: *9.0%*
2008-2015:
Eyewear: 8.2%
Handbags, Backpacks, Messenger Bags: 9.0%
Headwear: 9.7%
Hosiery: 8.7%
Jewelry & Watches: 7.7%
Luggage & Travel Accessories: 10.2%
Scarves & Ties: 7.3%

Analysis: Overall, this sector skewed slightly upward in the latter half of the 2000s, after a significant drop in 2004-2006, but has since plateaued.

For select fashion brands, the core royalty rates can run higher, with additional charges on top of that for market development activities and design services.

Some accessory categories, such as fashion and designer jewelry, typically run lower, since they build the brand's visibility and are highly competitive when it comes to securing retail counter space. Goods aimed at the mass market carry royalties a point or two lower than merchandise for specialty distribution.

Headwear, which is largely composed of sports caps, skews higher because of the high margin on the item and the higher royalty rate for sports entities compared to most fashion properties. The same holds for luggage and travel accessories, licensed versions of which are often based on luxury brands and sold at department and specialty stores.

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Royalty Profile for Licensed Apparel

Sector value, U.S./Canada, 2015: $19.63 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 19.0%

Average royalty, U.S./Canada, 2015: 9.5%

Royalty range, U.S. & Canada, 2015: 5%–18%

Average royalty, U.S./Canada, 10 years 2006-2015: 9.4%

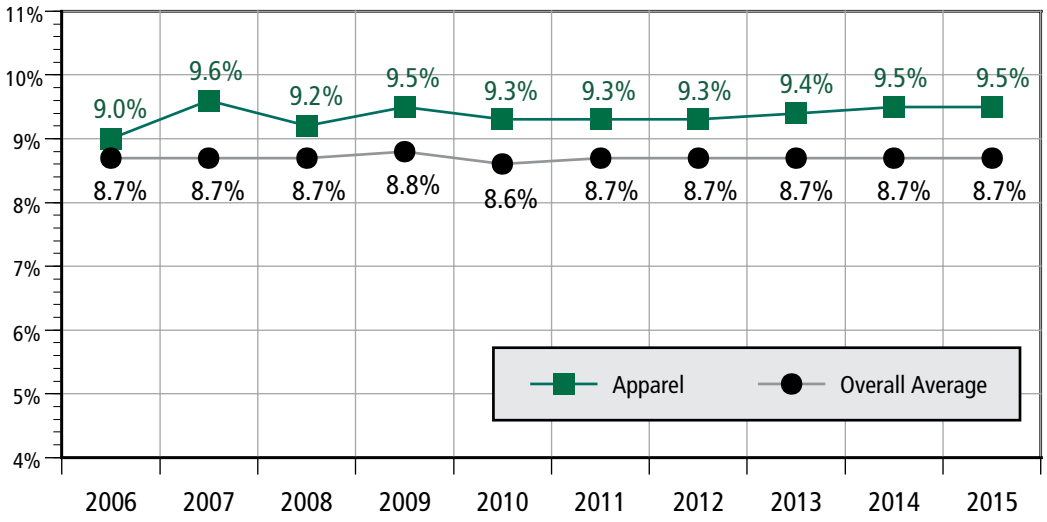
Analysis: In general, average royalties reported for apparel run slightly above industry-wide norms.

Variations in the category are dependent on whether products are primarily tied to entertainment (generally higher than the average), fashion or brand programs (often below the average), or other sectors.

Apparel goods had the highest increase in average royalties in 2014, a year in which men's apparel was a key growth area.

Fashion brand royalties, in most cases, are supplemented by an additional point or two of contractually-mandated marketing spending, or contribution to a common marketing fund (CMF), as are those in some other property sectors.

The royalties assigned to apparel deals may also be affected by whether they are direct-to-retail agreements, which generate a lower royalty rate, often calculated against retail selling price or first cost rather than net wholesale.



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Royalty Profile for Licensed Consumer Electronics

Sector value, U.S./Canada, 2015: $5.42 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 5.2%

Average royalty, U.S./Canada, 2015: 5.3%

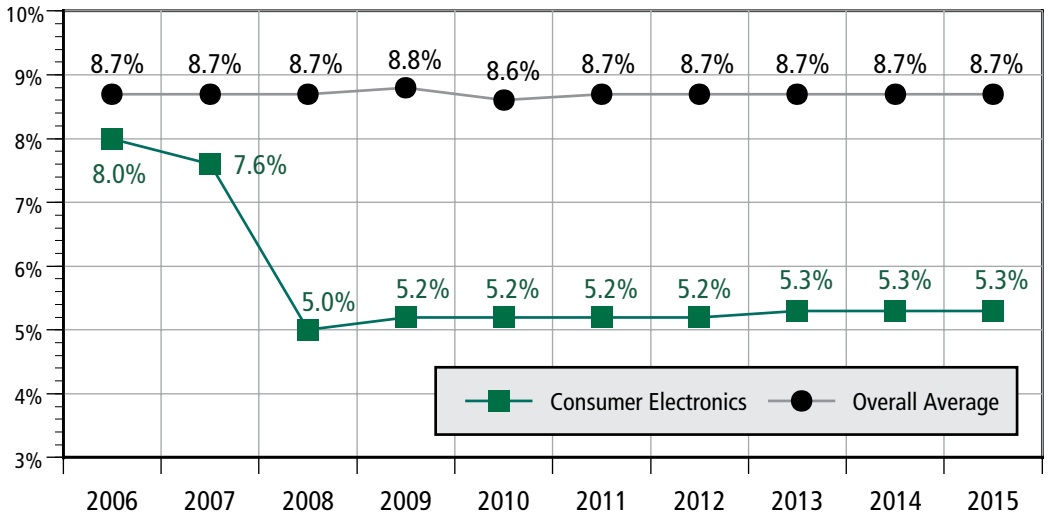
Royalty range, U.S./Canada, 2015: 3%–10%

Average royalty, U.S./Canada, 10 years 2006-2015: 5.7%

Analysis: Most electronics licensing historically emerged from the corporate trademark/brand sector, where royalty rates are generally lower than they are for entertainment. But recently there has also been a great deal of activity in other property types—in particular entertainment (headphones, earbuds, and tablets), fashion (wearable technology), music (headphones and earbuds), and art.

Consumer electronics, in general—ranging from appliances to cameras, cell phone accessories to home security systems—are a relatively low-margin category with very competitive price points mandated by retailers. They are also heavily mass-driven in distribution. This keeps a tight rein on all the factors that go into an item's cost, including the royalty.

The vast variation in the earlier years of the chart were due to the makeup of respondents to the *Survey* rather than any steep fluctuation in actual royalties.



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Royalty Profile for Licensed Domestics

Sector value, U.S./Canada, 2015: $3.48 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 3.4%

Average royalty, U.S./Canada, 2015: 8.9%

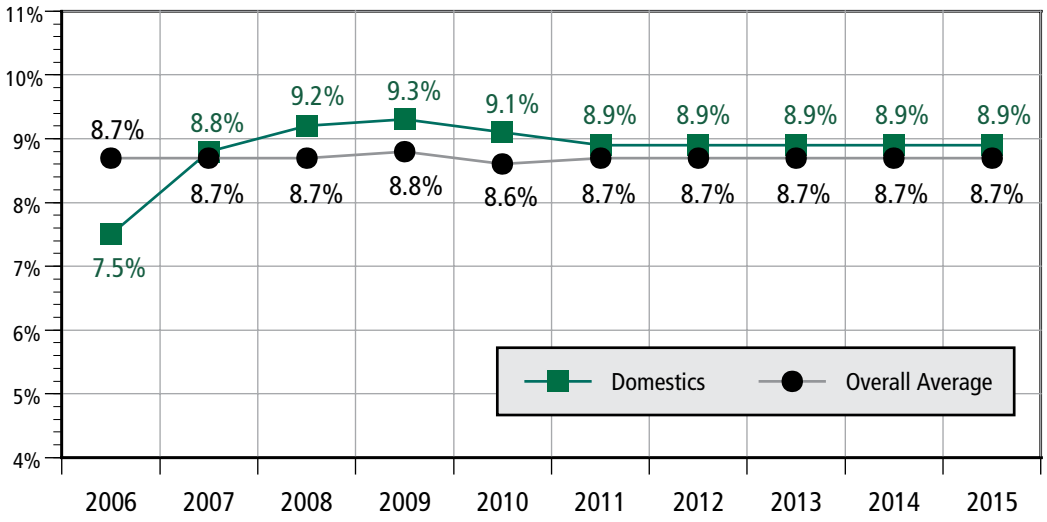
Royalty range, U.S./Canada, 2015: 4%–14%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.8%

Analysis: The domestics business is under pressure from the onslaught of retail private label programs, with fewer and fewer slots for licensed lines. That has contributed to reduced margins and royalty rates, particularly in the juvenile bedding area.

Licenses based on franchise films and established juvenile TV shows are generally in the 10%–14% range, while evergreen children's properties are in the 8%–10% area.

A top designer brand for upstairs distribution can draw higher royalties, as can the growing number of celebrities who are entering the arena.



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Royalty Profile for Licensed Food/Beverages

Sector value, U.S./Canada, 2015: $10.78 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 10.4%

Average royalty, U.S./Canada, 2015: 6.0%

Royalty range, U.S./Canada, 2015: 1%–12%

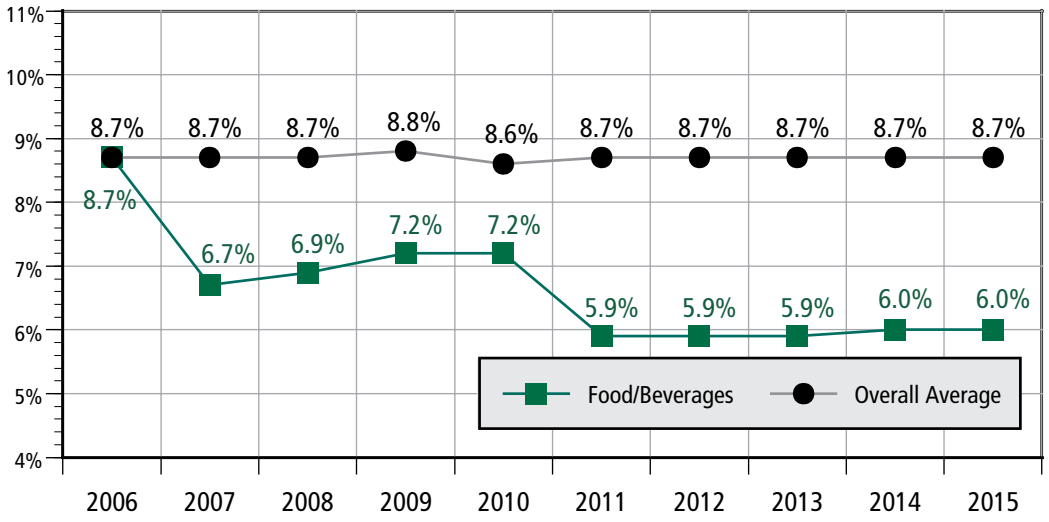
Average royalty, U.S./Canada, 10 years 2006-2015: 6.6%

Analysis: Supermarket margins are miniscule compared to virtually all other areas of retail, and low royalty rates predominate—offset by the expectation that the manufacturer and licensor will earn sufficient dollars through high sales volume. After some fluctuation earlier in the decade, royalty rates for licensed food and beverage products have settled around 5.9% to 6.0% since 2011.

Brand licensing deals in this area are sometimes combined with agreements for the licensor to supply a key ingredient (i.e. Sun-Maid raisins in a muffin mix), and the financial aspects of both deals are often intertwined.

Even when dealing with entertainment properties, margins are lower here than for other categories, though they can be higher than for brand deals.

This is a growth area for celebrity chefs, corporate trademarks, publishing and others who market as lifestyle brands.



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Royalty Profile for Licensed Footwear

Sector value, U.S./Canada, 2015: $5.67 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 5.5%

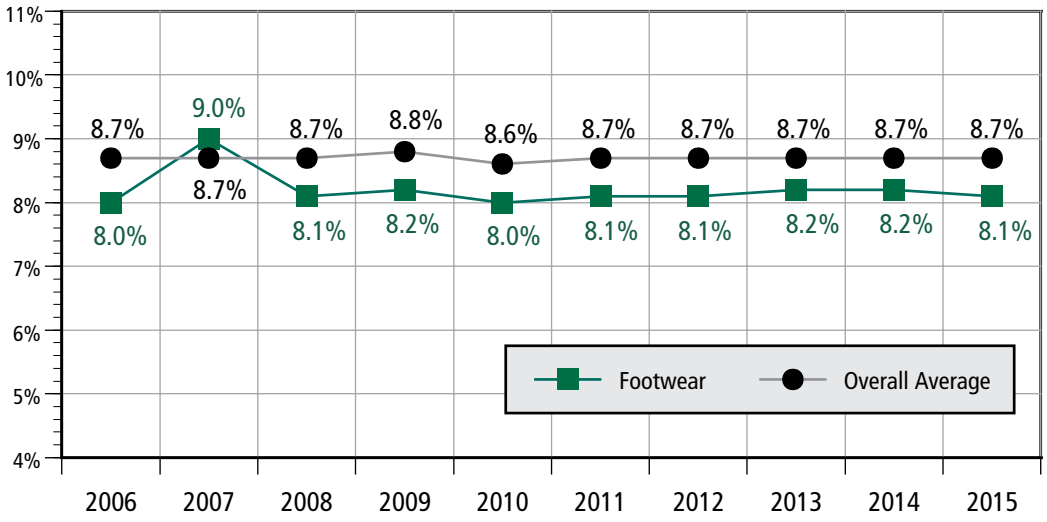
Average royalty, U.S./Canada, 2015: 8.1%

Royalty range, U.S./Canada, 2015: 3%–16%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.2%

Analysis: The average royalty rate is often a function of the balance between footwear makers involved at the lower end of the range, with brand and some fashion licensing drawing royalties in the 5%–7% range, and those at the higher end that are involved in juvenile character licenses generating royalties in the 8%–12% range. The latter are a much smaller factor than in the past.

In general, the average rate reported is lower than for the licensing business as a whole.



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Royalty Profile for Licensed Furniture/Home Furnishings

Sector value, U.S./Canada, 2015: $3.11 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 3.0%

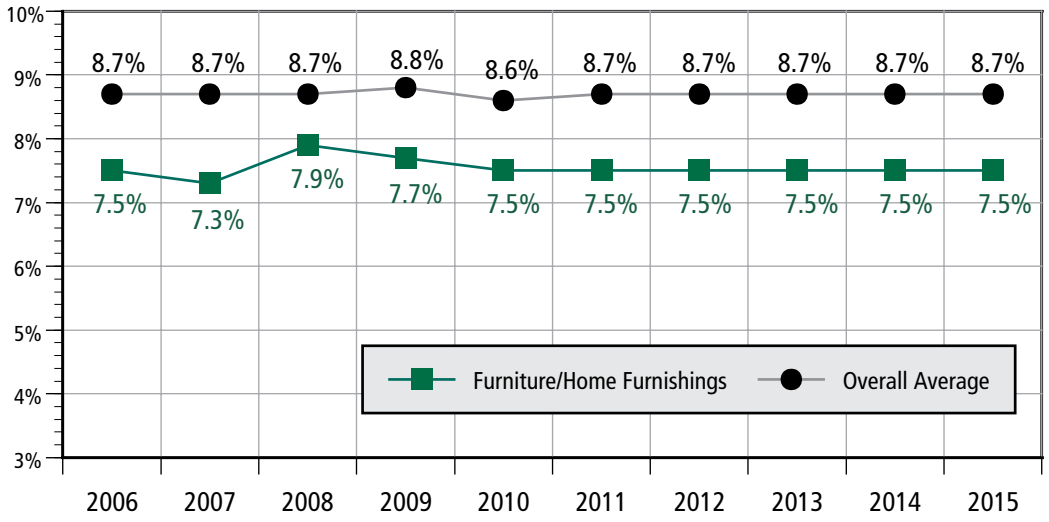
Average royalty, U.S./Canada, 2015: 7.5%

Royalty range, U.S./Canada, 2015: 3%–14%

Average royalty, U.S./Canada, 10 years 2006-2015: 7.5%

Analysis: Celebrity licensing has become a factor in the furniture business—with examples including Kathy Ireland, Cindy Crawford, Brad Pitt, Paula Deen, Lauren Conrad, and Jessica Simpson—as manufacturers work to set themselves apart from each other in an area where there is relatively little brand identity.

Royalty rates for designer and fashion-branded furniture and home furnishings also can vary widely—anywhere from 3% to 8%—depending on whether the agreement includes design input from the licensor.



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Royalty Profile for Licensed Gifts/Novelties

Sector value, U.S./Canada, 2015: $2.69 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.6%

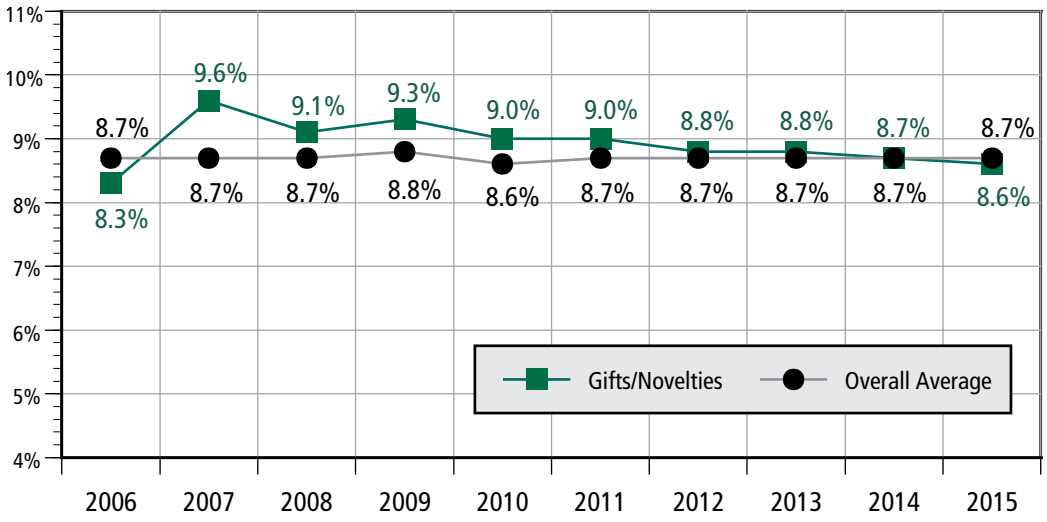
Average royalty, U.S./Canada, 2015: 8.6%

Royalty range, U.S./Canada, 2015: 4%–15%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.9%

Analysis: Since 2008, royalties for the gifts and novelties category have closely followed the business-wide average, in part because this category includes the broadest range of types of merchandise, from high-end collectibles to impulse novelties.

Following the recession, given the impulse, non-necessity nature of much of the category, the segment has declined in dollar value substantially more rapidly than licensing overall.



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Royalty Profile for Licensed Health and Beauty Products

Sector value, U.S./Canada, 2015: $7.77 billion
Fragrance: $4.00 billion
Hair Accessories: $0.26 billion
Cosmetics/Nail Polish/Other: $3.50 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 7.5%
Fragrance: 3.9%
Hair Accessories: 0.3%
Cosmetics/Nail Polish/Other: 3.4%

Average royalty, U.S./Canada, 2015: 9.0%
Fragrance: 9.3%
Cosmetics/Hair Accessories/Other: 8.4%

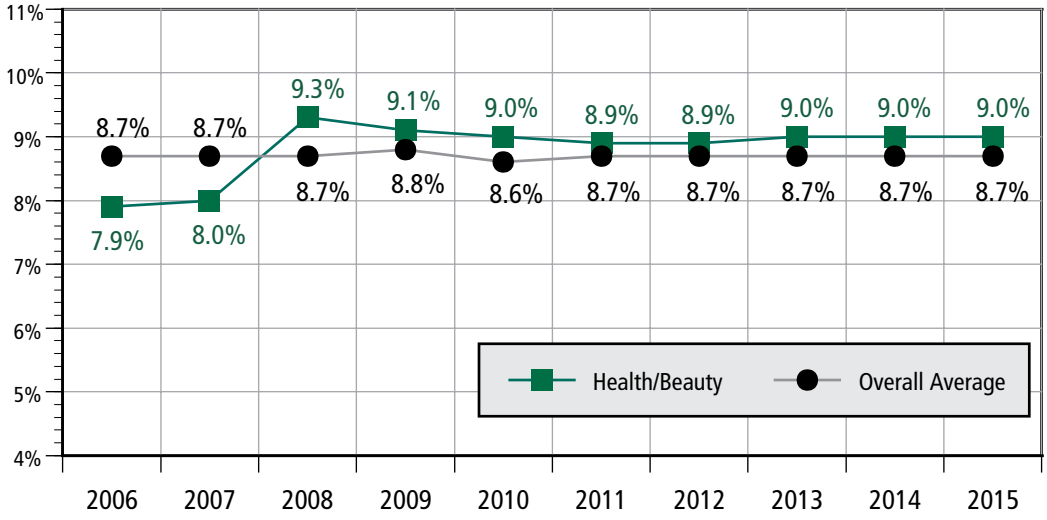
Royalty range, U.S./Canada, 2015: 5%–14%
Fragrance: 5%–18%
Cosmetics/Hair Accessories/Other: 6%–14%

Average royalty, U.S./Canada, 10 years
2006-2015: *8.8%*
2008-2015:
Fragrance: 9.2%
Hair Accessories: 8.4%

Analysis: There can be a broad range of royalty rates in the health and beauty category, depending on the property involved, from fashion to celebrity and beyond.

Fragrance programs generally involve the manufacturer committing to major packaging and marketing expenditures to support the brand.

Property-identified cosmetics—a growing sector of late—often are limited-edition, promotional, and royalty-free. Growth areas include skin care and male grooming.



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Royalty Profile for Licensed Housewares

Sector value, U.S./Canada, 2015: $2.87 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.8%

Average royalty, U.S./Canada, 2015: 6.3%

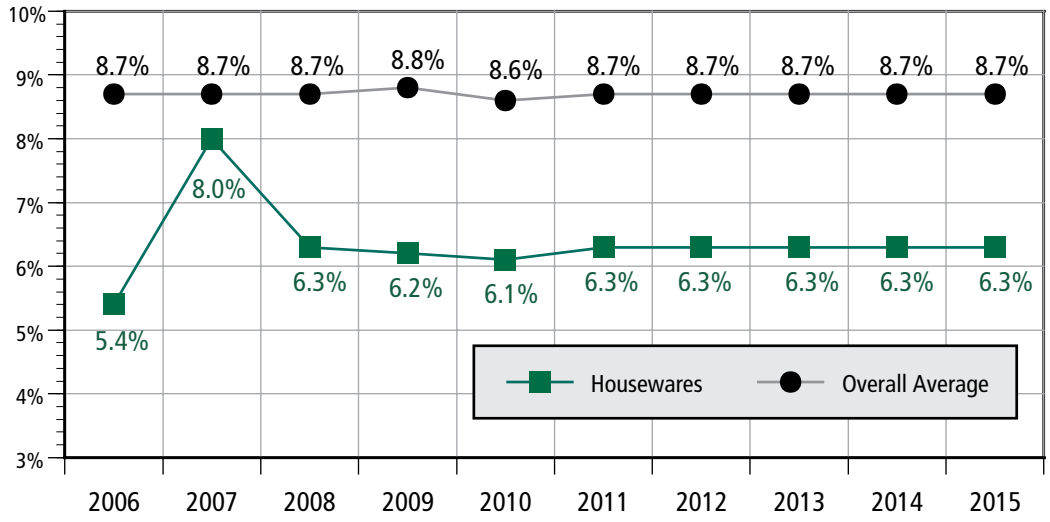
Royalty range, U.S./Canada, 2015: 3%–14%

Average royalty, U.S./Canada, 10 years 2006-2015: 6.4%

Analysis: Licensing in this category is often associated with properties emanating from the artist, fashion designer, celebrity (especially chefs), and entertainment/character sectors.

Housewares brands—from Fiesta to Farberware—also are active, extending their names and designs into other areas of the house and fostering cross-merchandising potential.

Because of the preponderance of long-term deals rather than "hot" items, the average royalty rate is significantly lower than for the business as a whole.



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Royalty Profile for Licensed Infant Products

Sector value, U.S./Canada, 2015: $2.70 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.6%

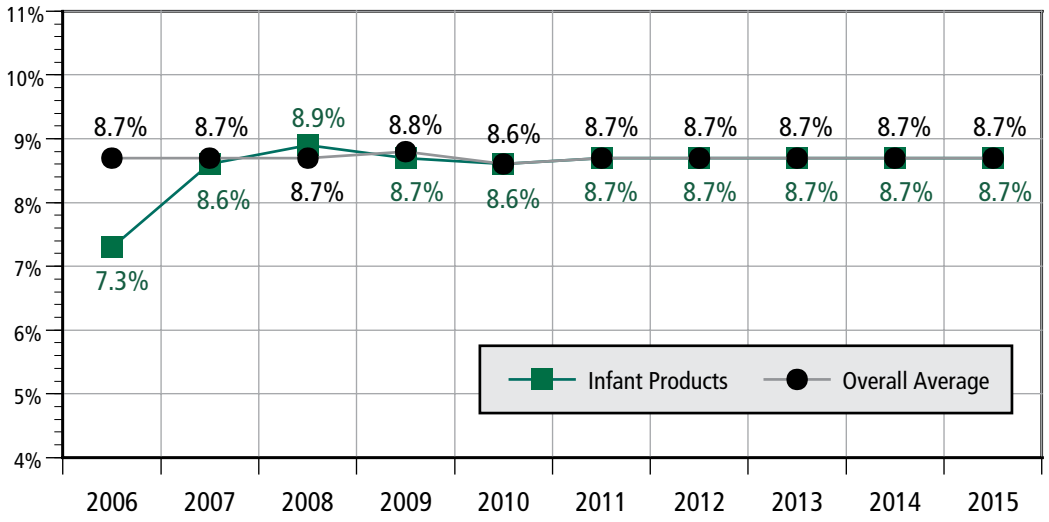
Average royalty, U.S./Canada, 2015: 8.7%

Royalty range, U.S./Canada, 2015: 5%–14%

Average royalty, U.S./Canada 2006-2015: 8.6%

Analysis: This is a category in which licensing revolves mostly around four areas: evergreen publishing and character-based properties, extensions of well-known baby- and health-related brands, fashion labels, and sports leagues.

Royalty rates vary based on the property type, but the average holds very close to the business-wide average.



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Royalty Profile for Licensed Publishing

Sector value, U.S./Canada, 2015: $3.65 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 3.5%

Average royalty, U.S./Canada, 2015: 9.7%

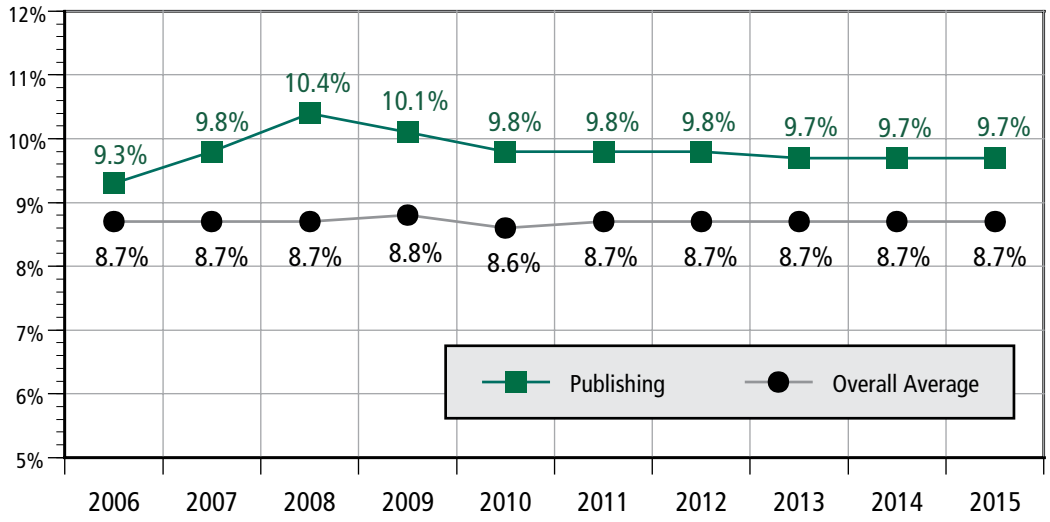
Royalty range, U.S./Canada, 2015: 5%–15%

Average royalty, U.S./Canada, 10 years 2006-2015: 9.8%

Analysis: This is a core category for many children's properties, setting the stage for a broader licensing program to follow. Such projects generally draw the higher royalties typically enjoyed by entertainment.

On the other hand, publishing that carries a corporate name (a restaurant's cookbook, a home center chain's do-it-yourself manual) generates the lower royalties of a corporate program, valued as much for the exposure as for the revenue it generates for the licensor.

Licensing of sports trading cards can be very complex and expensive, with multiple entities (perhaps a league and players union) each getting a cut and driving the total royalty higher than the average.



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Royalty Profile for Licensed Sporting Goods

Sector value, U.S./Canada, 2015: $2.83 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.7%

Average royalty, U.S./Canada, 2015: 9.8%

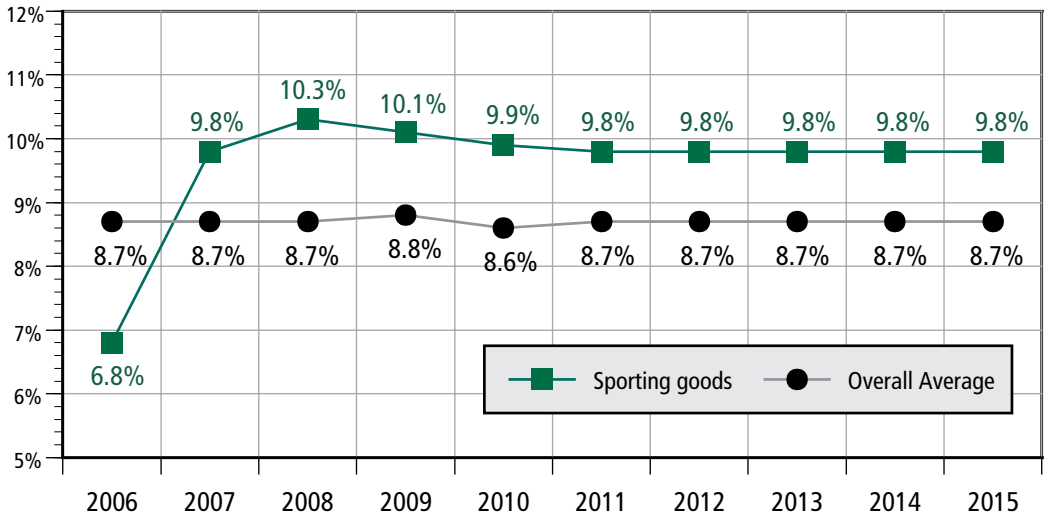
Royalty range, U.S./Canada, 2015: 4%–15%

Average royalty, U.S./Canada, 10 years 2006-2015: 9.6%

Analysis: Art licensing has moved into this sector via snowboards and skateboards, but much of the business revolves around sports licenses, some corporate brands (primarily as extensions of existing sporting goods brands into complementary products) and a smattering of entertainment properties. Yoga (Gaiam) and fashion (Danskin) brands are also getting into the lighter end of sporting goods with personal mats, balance balls and other items. Gold's Gym and others are involved with weights and additional products.

Cross-licensing between a league and a character, with each drawing a lower royalty than it would alone, is also increasingly popular.

Average royalties in this product category have been steady at just under ten percent since mid-decade.



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Royalty Profile for Licensed Stationery/Paper Products

Sector value, U.S./Canada, 2015: $2.45 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.4%

Average royalty, U.S./Canada, 2015: 8.9%

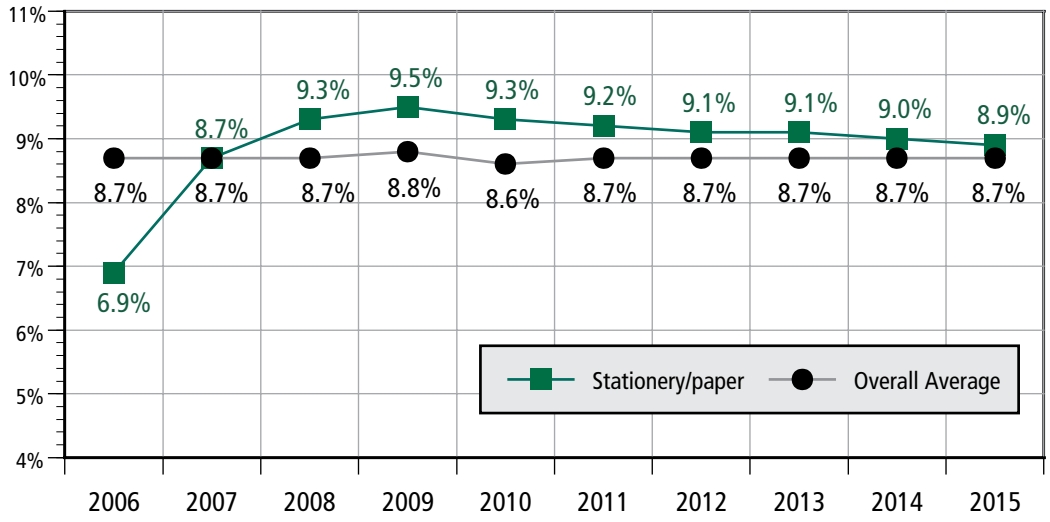
Royalty range, U.S./Canada, 2015: 4%–12%

Average royalty, U.S./Canada, 10 years 2006-2015: 8.9%

Analysis: The average in any particular year depends on the mix of entertainment-related (higher rates) and art-related (lower rates) products, as well as the distribution channel (specialty card shop versus mass market).

Entertainment properties in this sector are generally in the 10%–15% range, while art licenses more commonly draw 3%–6%. Overall, the average royalty in this sector is higher than the average for licensing as a whole.

Stationery/paper was the property type that had the most dramatic change in average royalties in 2015, dropping by 0.9%—after dipping 1.0% in 2014. This reflected the category's relatively weak sales: they dropped 3.2% in 2015.



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Royalty Profile for Licensed Toys/Games

Sector value, U.S./Canada, 2015: $7.53 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 7.3%

Average royalty, U.S./Canada, 2015: 10.4%

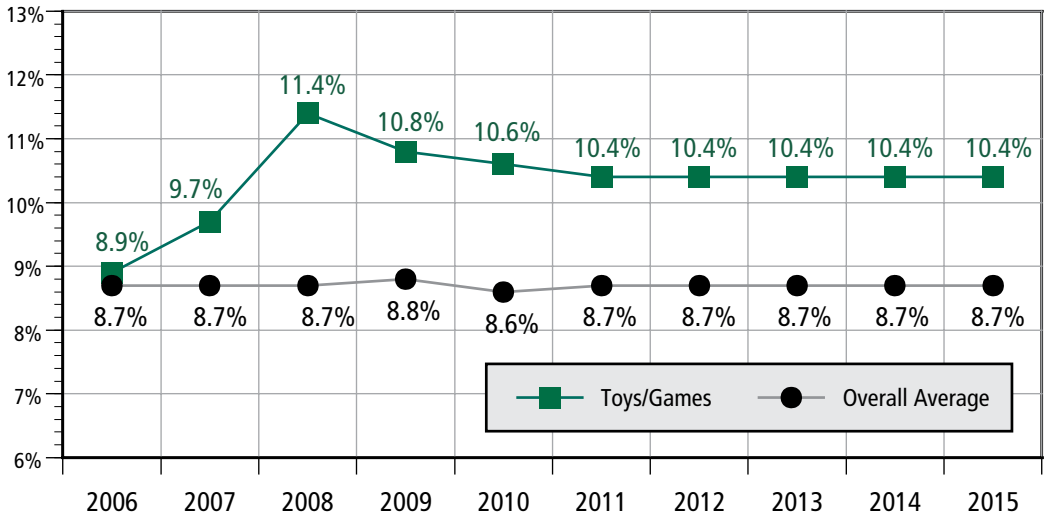
Royalty range, U.S./Canada, 2015: 5%–20%

Average royalty, U.S./Canada, 10 years 2006-2015: 10.3%

Analysis: Sales of licensed lines have gained traction; licensed toys outperform the industry as a whole, according to The NPD Group.

Tentpole movie properties—not licensed extensively in the toy category these days, except for sequels—are generally in the 12%–15% range, with the biggest blockbusters such as Disney/Marvel properties potentially going higher; non-tentpole, which have a narrow range of SKUs, are closer to 10%–12%. Juvenile TV properties also are in the 10%–12% range.

Royalty rates for brands that are licensed into the toy business generally fall into the 6%–8% range.



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Royalty Profile for Licensed Video Games/Software

Sector value, U.S./Canada, 2015: $3.00 billion

Proportion of retail sales of licensed merchandise, U.S./Canada, 2015: 2.9%

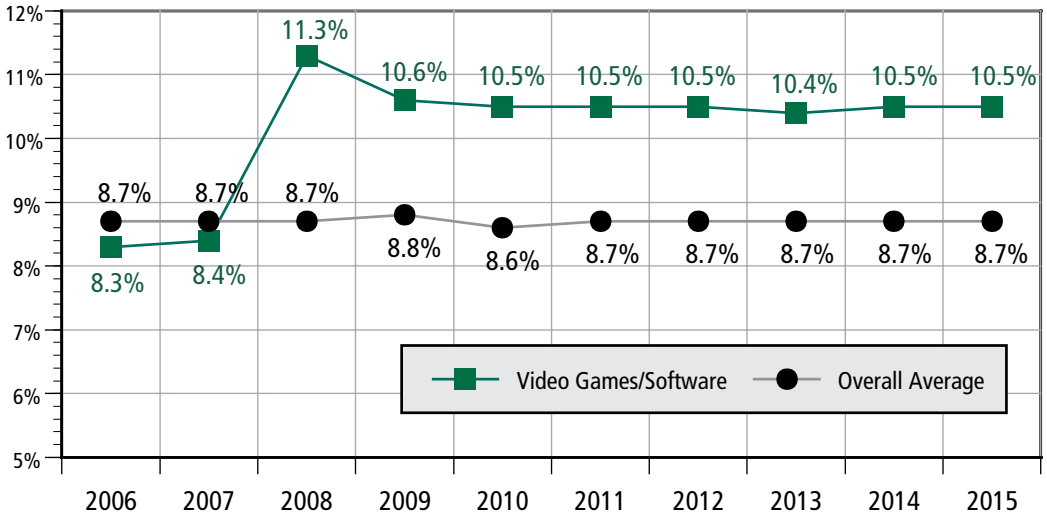
Average royalty, U.S./Canada, 2015: 10.5%

Royalty range, U.S./Canada, 2015: 1%–20%

Average royalty, U.S./Canada, 10 years 2006-2015: 10.2%

Analysis: Royalties for corporate licensing in this area run in the low single digits. For software in which, for example, multiple car brands or athletes or music properties may be featured, each licensor would get a fractional percentage of the total. (Often car brands' presence is promotional and they receive no royalty.)

Among dedicated game/software titles, film- and sports-based properties draw higher than average rates, as do entertainment properties, although their royalty percentages are falling as their sales potential has increased.



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APPENDIX: THE LICENSING LETTER GUIDE TO PROPERTY TYPES & PRODUCT CATEGORIES

PROPERTY TYPES

Properties that are licensed, or with potential for licensing, come from many sources—from art to celebrities, fashion designers to feature films and television programs, sports leagues and personalities to toys, videogames, and food and beverage brands.

Although some properties cross over into several sectors, for the most part they are classified under the property type where their major licensing activity occurs. That said, the lines are blurring. For example, some musicians or actresses are almost better known as designers; fashion and interior designers are better known as reality stars (their careers started in the former but the fame that allowed them to license sometimes started in the latter); etc. This is not a perfect science.

Another type of exception is when a separate licensing program is set up (with its own art and logo) as an extension of the original. For example, Batman's origins are as a publishing property, since it was originally a comic book character. But distinctive licensing programs have surrounded the many films based on the characters, so the sales directly related to the logos and images from the films would be classified under "Entertainment/character," while any licensing of the original comic book art falls under "Publishing."

Still other cases where there is clearly crossover, or where the lines are blurry, are described in the following brief descriptions of the primary sources of licensed properties, with sub-categories included for many. Each description is followed by a list of representative properties that fall under that property type. The listings are guidelines in helping you to understand the data more fully, but are by no means comprehensive.

ART: Art licensing includes two sub-categories:

Art & Artists: Fine artists and designers (living and deceased) who create images with products in mind, including textile and surface designers, as well as fine artists who create art for art's sake, for whom licensing is a secondary concern. The first group accounts for the lion's share of art licensing; these artists' work is found on or in apparel, domestics, giftware, stationery, tabletop items, books, computer accessories, and housewares, among other products. They often specialize in a certain genre such as sports, fantasy, whimsical children's, realistic, ethnic-themed, illustrative, nature art, or decorative patterns.

Representative properties: American Greetings and Hallmark card art, Jim Benton, Jim Shore, Hautman Bros., John Lennon/Bag One Arts, Kathy Davis, Keith Haring, Mary Engelbreit, Lisa Frank, Anne Geddes, Hummel, Thomas Kinkade, Christian Riese Lassen, Mossy Oak, Precious Moments, Andy Warhol, Frank Lloyd Wright, Suzy's Zoo.

Museums: Museums, which generally oversee small, upscale programs with merchandise distributed in their own and other museum shops, through other specialty stores, and online. Some maintain licensing-based reproduction programs where items from their collections are duplicated as decorative accessories and home furnishings, or as miniatures. Others focus on postcards, posters, scarves, ties, children's activity kits, and the like, with the items inspired by pieces in the collection rather than being pure replicas.

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Representative properties: American Museum of Natural History, Biltmore Estate, Brooklyn Museum, Colonial Williamsburg, Hermitage Museum, The Louvre, Metropolitan Museum of Art, Mount Vernon, Museum of Modern Art, National Gallery of Art, Science Museum London, Smithsonian, Tate Gallery, Vatican Museum, Victoria & Albert Museum, Winterthur.

CELEBRITIES: This sector includes living actors, actresses, models, chefs, business executives, and others. (Musicians, athletes, and artists are categorized under "Music," "Sports," and "Art," respectively.) While many celebrity-based deals include endorsements and promotional tie-ins, we look exclusively at the product licensing generated by these individuals. However, sometimes merchandise rights are granted as part of a broader promotional deal. For example, a company for which a celebrity serves as a spokesperson may also sell memorabilia or branded products.

Representative properties*—Actors and Entertainers*: Mikhail Baryshnikov, Hayden Christensen, Zooey Deschanel, Kathie Lee Gifford, Eva Mendes, Ashley & Mary-Kate Olson, Gwyneth Paltrow, Sarah Jessica Parker, Jane Seymour, Jaclyn Smith, Elizabeth Taylor, Sofia Vergara, Reese Witherspoon.

Models: Elle MacPherson, Cindy Crawford, Daisy Fuentes, Kathy Ireland, Heidi Klum, Alessandra Ambrosio.

Chefs: Paula Deen, Emeril LaGasse, Rachael Ray, Wolfgang Puck, Jane Asher, Padma Lakshmi, Jamie Oliver, Martha Stewart.

Reality: Nicole "Snooki" Polizzi, Teresa Giudice, Bethanny Frankel, the Kardashians, Paris Hilton.

Social media stars: Bethany Mota, Aimee Song, Cassie Ho, Michelle Phan, SMOSH, Sophia Grace and Rosie, Mr. Stampy, Grumpy Cat.

TV presenters and hosts: Giuliana Rancic, Melissa Rivers, Nick Cannon, Ryan Seacrest, Ellen DeGeneres, Randy Jackson, Tim Gunn.

Business/Other: Priscilla Presley, Donald Trump, Daymond John, Ivanka Trump.

COLLEGIATE: College and university programs are driven largely by team sports, but also feature products to appeal to general school supporters, including alumni and current students.

Representative properties: Harvard, Oxford University, Notre Dame, Ohio State, University of Miami, University of Michigan, University of Texas.

ENTERTAINMENT/CHARACTER: Feature films, cartoon characters, and television programs are the basis of the bulk of Entertainment/Character licensing. A few properties, such as Hello Kitty and It's Happy Bunny, which have no antecedent in any medium (they were created for merchandise), are also included here because they are treated much as "traditional" character licenses (rather than, say, like an art property). The television and film-based portions of licensing programs tied to properties originating in other mediums such as books and comics also are included here. Children's properties account for most of the sector's activity, though there are also substantial adult licensing programs.

Representative properties: American Idol, Batman, Ben 10, Betty Boop, Big Bang Theory, Biggest Loser, Breaking Bad, Care Bears, Cars, Clone Wars, Disney Fairies, Disney Princesses, Doc McStuffins, Dora the Explorer, Duck Dynasty, Family Guy, Flintstones, Frozen, Garfield, Glee, Harry Potter, Hello Kitty, Hunger Games, I Love Lucy, Iron Man, It's Happy Bunny, Looney Tunes, Lord of the Rings, Maya the Bee, Mickey Mouse, Miffy, Muppets, Peanuts, Peppa the Pig, Pink Panther, Pooh, Popeye, Rudolph the Red-Nosed Reindeer, Scooby Doo, Sesame Street, Simpsons, Sofia the First, South Park, Spider-Man, SpongeBob SquarePants, Star Trek, Star Wars, Strawberry Shortcake, Thomas & Friends, Twilight, Walking Dead, World Wrestling Entertainment.

ESTATES: Estate licensing includes deceased celebrities who would fall under the "Celebrities" category in life. Deceased celebrities whose licensing strategies remain the same in death as in life, primarily musicians, artists, and athletes, remain in "Music," "Art," and "Sports," respectively. There are a few exceptions: Celebrities that

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started in one of those categories but have come to transcend it are included here. Frank Sinatra and Elvis Presley would be examples.

The bulk of estate licensing for many individuals in "Estates" historically has been in the promotional arena (which we do not tally), though, as for living celebrities, there can be a merchandise component to such programs. Traditional, brand-driven licensed merchandise programs are increasingly common, however.

Representative properties: Abbott & Costello, Humphrey Bogart, Charlie Chaplin, James Dean, Albert Einstein, Larry Harmon/ Bozo the Clown, Bruce Lee, Bob Marley, Marilyn Monroe, Martin Luther King, Jr., Bettie Page, Elvis Presley, Frank Sinatra, John Wayne, Wright Brothers, Malcolm X.

FASHION: Fashion designers and labels primarily fall into three groups—apparel (and accessories), footwear, and home/ interior design. Within these broad groups fall non-personality-driven labels, such as OP, Burberry, and Carter's, and designer names, such as Ralph Lauren, Tommy Hilfiger, and Norma Kamali. Fashion-rooted licensing programs typically enable the brand to expand into categories where the licensor has little or no expertise in manufacturing, marketing, design, or distribution, or where licensing is more profitable than maintaining an in-house operation.

Representative properties—*Apparel*: Adolfo, Adrienne Vittadini, Anne Klein, Armani, Betsey Johnson, Bill Blass, Bob Mackie, Burberry, Tory Burch, Kenneth Cole, Calvin Klein, Chanel, Cherokee, Oscar de la Renta, Christian Dior, Danskin, Diane von Furstenberg, Donna Karan, Ed Hardy, Geoffrey Beene, Givenchy, Gloria Vanderbilt, Guess?, Hang Ten, Isaac Mizrahi, Lilly Pulitzer, Kate Spade, Joe Boxer, Jones NY, Jordache, Joseph Abboud, Juicy Couture, l.e.i., Laura Ashley, Mossimo, Mudd, Nine West, OP, Oleg Cassini, OshKosh, Perry Ellis, Pierre Cardin, Ralph Lauren, Rocawear, Sean John, Tommy Hilfiger, Tommy Bahama, Vera Wang, Woolrich.

Footwear: Adidas, Candie's, Cole Haan, Converse, Crocs, Easy Spirit, Esprit, Keds, Louis Jourdain, Nike, Puma, Reebok, Skechers, Stride-Rite, Steve Madden, Timberland, Uggs, Wolverine.

Home/Interior Design: Alexander Julian, Marimekko, Noel Jeffrey, Jennifer Adams, Nate Berkus, Martha Stewart, Wendy Bellissimo, Bunny Williams, Bobby Berk, Paola Navone, Michael Graves, Vern Yip, Genevieve Gorder.

MUSIC: Musicians and bands, living and dead, are included in "Music." Apart from merchandise licensing based on the individual or group name or imagery (the Rolling Stones tongue or the Grateful Dead dancing bears, for example), owners of music copyrights grant authorizations to perform or record music. These uses are outside the scope of consumer products licensing unless the usage is embedded in a consumer product (such as greeting cards or toys). If a musician has a fashion brand under another name, that brand is included under Fashion—e.g. Gwen Stefani's Harajuku Lovers, Avril Lavigne's Abbey Dawn, and Sean Combs' Sean John.

Representative properties: AC/DC, Aerosmith, Ariana Grande, The Beatles, Beyoncé, Britney Spears, Carlos Santana, Carrie Underwood, Cheryl Cole, Chicago, Christina Aguilera, Garth Brooks, Grateful Dead, Jennifer Lopez, Jessica Simpson, Jimi Hendrix, Keith Urban, KISS, Led Zeppelin, Lorde, Madonna, Mariah Carey, Metallica, M.I.A., Michael Jackson, Miley Cyrus, Nicki Minaj, One Direction, Katy Perry, Prince, Rihanna, Rita Ora, Rolling Stones, Selena Gomez, Sheryl Crow, Snoop Dogg, Taylor Swift, Trisha Yearwood, Wiz Khalifa.

NON-PROFIT: Technically, a non-profit is defined by its status as a charitable institution. However, within that broad categorization, non-profit licensing programs tend to focus on healthcare, environmental/nature, animal rescue, and relief/social service organizations. Some non-profit organizations fall into other licensing sectors; non-profit museums are categorized under "Art" and non-profit educational institutions under "Collegiate," for example.

Representative properties: AARP, American Heart Association, American Red Cross, ASPCA, Ducks Unlimited, Federal Duck Stamp Program, 4-H, Girl Scouts of America,

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Greenpeace, Global Fund/Product Red, National Audubon Society, National Parks & Conservation Association, Nature Conservancy, National Trust for Historic Preservation, National Wildlife Federation, Save the Children, Sierra Club, UNICEF, Wilderness Society, World Wildlife Fund.

PUBLISHING: The publishing sector includes three primary areas: Books, newspapers/magazines, and comic books and strips. Licensing of books is dominated by children's titles and focuses on children's book characters. However, there are also specialized imprints for adults such as Rand McNally, Berlitz, and For Dummies, and some adult nonfiction authors have launched licensing efforts as well. In some cases, some of the licensing activity based on a given publishing property may fall under "Entertainment/Character," since much of the licensing is based on the filmed properties. Examples include The Hunger Games, Twilight, Harry Potter, and Spider-Man (as well as the bulk of comic book-origin properties with extensive licensing programs). By contrast, while properties such as Clifford and Curious George get a boost through exposure on TV and in film, if the licensing looks the same in both media we keep them in the property type of origin, in this case "Publishing." Comic strip properties that have transcended the world of newspapers (e.g. Peanuts and Garfield) are categorized under Entertainment/Character.

***Representative properties**—Books (children)*: 39 Clues, American Girl, Angelina Ballerina, Arthur, Beatrix Potter/Peter Rabbit, Berenstain Bears, Clifford, Curious George, Dangerous Book for Boys/Daring Book for Girls, Dr. Seuss, Golden Books, Guess How Much I Love You, Mad Libs, Madeline, Maisy, Mr. Men & Little Miss, Nancy Drew, Pinkalicious, Where's Waldo?, Wimpy Kid, World of Eric Carle.

Book authors (adult): Agatha Christie, Deepak Chopra, Tom Clancy, F. Scott Fitzgerald, Ernest Hemingway, James Patterson, Nora Roberts, Andrew Weil. Books (brands): Chicken Soup for the Soul, Encyclopaedia Britannica, Fodor's, For Dummies, Frommer's, Joy of Cooking, Purpose Driven Life, Rand McNally.

Comic books/strips: Archie & Veronica, Casper, Dilbert, Far Side, R. Crumb, Ziggy.

Newspapers/magazines: Better Homes & Gardens, Billboard, Bon Appétit, Car & Driver, Cosmo, Country Living, Elle, Entrepreneur, Esquire, Essence, Food & Wine, Forbes, Golf Digest, Good Housekeeping, Harper's Bazaar, National Geographic, The New York Times, Old Farmer's Almanac, Playboy, Penthouse, Popular Mechanics, Real Simple, Rolling Stone, Seventeen, Southern Living, USA Today.

SPORTS: Sports licensing incorporates the major U.S. professional leagues for football, baseball, basketball, hockey, and soccer, including both teams and individuals, as well as other leagues (amateur and professional), athletes, and events including NASCAR, golf, extreme sports, tennis, Olympics, mixed martial arts, minor league teams, outdoors-related properties, amateur sports associations, soccer clubs, and many others.

Representative properties: Henry Aaron, Muhammad Ali, Mario Andretti, David Beckham, Usain Bolt, Dale Earnhardt, Jr., Chris Evert, Roger Federer, FIFA World Cup, George Foreman, Jeff Gordon, Wayne Gretzky, Tony Hawk, Ironman Triathlon, Lebron James, Derek Jeter, Michael Jordan, Kentucky Derby, Lydia Ko, Little League Baseball, Henrik Lundqvist, Marshawn Lynch, John Madden, Major League Baseball, Major League Soccer, Peyton Manning, Phil Mickelson, NASCAR, National Basketball Association, National Football League, National Hockey League, Manchester United, Martina Navratilova, Cam Newton, Jack Nicklaus, Olympics (with various properties under this umbrella), Shaquille O'Neal, Arnold Palmer, PGA Tour, Gary Player, Giancarlo Stanton, Mike Trout, Ultimate Fighting Championship, Shaun White, Michelle Wie, Wimbledon, Tiger Woods.

TRADEMARKS AND BRANDS: The range of corporate brands with licensing programs is enormous. We break out some of the larger sub-groups, including automotive/vehicle, food/beverage, restaurants, sporting goods, hardware/appliance/tool, home-related, electronics/technology, and electronic media. Retail brands, diet/health brands,

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luggage brands, and additional brand-based properties are aggregated under "Other." Large as this sector is, much licensing in this area is "invisible" and difficult to estimate.

***Representative properties**—Automotive/Vehicle*: BMW, Cadillac, Caterpillar, Chevrolet, Chrysler, Corvette, Dodge, Ferrari, Ford Motor, Harley-Davidson, Hummer, Jaguar, Jeep, John Deere, Kawasaki, Mack Truck, Mercedes Benz, Mustang, Porsche, Winnebago.

Food/Beverage: Arm & Hammer, Betty Crocker, Blue Diamond, Budweiser, Campbell's, Cheerios, Chiquita, Coca-Cola, Coors, Corona, Del Monte, Dr Pepper/Snapple, Godiva, Green Giant, Hershey, Jack Daniel's, Jim Beam, Kahlua, Keurig, M&Ms, Miller, Mountain Dew, Nathan's, Nestle, Oreo, Pepsi-Cola, Pillsbury, Reese's, Special K, Sunkist, Sun-Maid, Welch's.

Restaurants: Baja Fresh, Baskin-Robbins, Boston Market, Burger King, California Pizza Kitchen, P.F. Chang's, Cinnabon, Claim Jumper, Dunkin Donuts, Fazoli's, Jamba Juice, La Tasca, McDonald's, Red Robin, Starbucks, Subway, Taco Bell, TGI Friday's, White Castle.

Sporting goods: Body Glove, Browning, Coleman, Dunlop, Everlast, Polaris, Rawlings, RealTree, Remington, Smith & Wesson, Spalding, Wilson, Winchester, Under Armour.

Hardware/Appliance/Tools: Black & Decker, Craftsman, DeWalt, Honeywell, Maytag, Snap-On, Stanley, Sunbeam, Westinghouse, Whirlpool.

Home-related: Croscill, Farberware, Fiesta, Mikasa, Mr. Clean, Pfaltzgraff, Rubbermaid, Waverly, Woolite.

Electronics/Technology: AT&T, Apple, Emerson, GE, IBM, Phillips, Polaroid, RCA, Timex, Verizon, Westinghouse, Xerox.

Electronic media: Animal Planet, Discovery Channel, ESPN, HGTV, Food Network.

Other: American Kennel Club, American Tourister, Armor All, Dr. Scholl's, Eveready, Jenny Craig, Linens 'n Things, Samsonite, Scotts MiracleGro, Sharper Image, Toys 'R' Us, Weight Watchers.

TRADITIONAL TOYS/GAMES: This sector includes board games, non-electronic toys, and characters that grow out of such toys and games. If the brand has licensing activity tied to films or television programming, that portion would be included under Entertainment/Character.

Representative properties: Bakugan, Barbie, Bratz, Candy Land, Colorforms, Crayola, Etch-A-Sketch, Fisher-Price, GI Joe, Gund, Hot Wheels, Lalaloopsy, LEGO, Little Tikes, Littlest Pet Shop, Magic 8-Ball, Matchbox, Monopoly, Monster High, My Little Pony, Play-Doh, Playmobil, Playskool, Tonka, Transformers.

VIDEO GAMES/INTERACTIVE/ONLINE: This sector includes video games and video game-based characters; online-originated properties such as virtual worlds, YouTube videos, blogs, webisodic series, Pinterest, Vine, Snapchat, Instagram, and other social media accounts, texting emoticons, and e-mail greeting cards; mobile apps; and other digital properties. In some cases, such as Pokémon, the licensing is split between this sector and "Entertainment/Character," since there are distinct licensing programs for the TV and video games. Celebrities from social media are listed under Celebrities, while brands from social media are listed in this category.

Representative properties: Angry Birds, Annoying Orange, Apartment Therapy, Bag Snob, Bin Weevils, Call of Duty, Club Penguin, Cut the Rope, EverQuest, Farmville, Fruit Ninja, Grand Theft Auto, Guitar Hero, Halo, Hoops & Yoyo, Minecraft, Moshi Monsters, MovieStarPlanet, Neopets, Pokémon, Rock Band, Sims, Skylanders, Sonic the Hedgehog, Super Mario, World of Warcraft.

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PRODUCT CATEGORIES

Product categories are based on the predominant way in which merchandise is classified by retailers and, by extension, licensors, manufacturers, and others in the business. Many products could fall within more than one classification. For example, plush could be considered either "Toys" or "Gifts/Novelties," clocks could be "Housewares" or "Gifts/Novelties" or "Electronics," and hair dryers could be "Electronics" or "Health/Beauty," depending on the specific product, distribution channels, a given retailer's approach, and other factors. The list below is representative of the types of products in each category.

NOTE: Larger sub-categories for which we break out retail sales are at the beginning of each list and are separated by semi-colons. Where there are no breakouts, products are separated by commas.

ACCESSORIES: Eyewear; handbags, backpacks & messenger bags; headwear; hosiery; jewelry & watches; luggage & travel accessories; scarves & ties; other including bandanas, belts, buckles, gloves, small leather goods, suspenders, umbrellas, wallets.

APPAREL: Beachwear, boxer shorts, dresses, fleece, intimates/lingerie, jackets, jeans, night shirts, pajamas, shorts, slacks, sportswear, suits, sweaters, sweatshirts and sweatpants, T-shirts, tuxedos, underwear, uniforms.

DOMESTICS: Bath mats, bedding, blankets, curtains, fabric, laundry bags, pot holders, placemats, sewing patterns, table linens, towels.

ELECTRONICS & ACCESSORIES: Cameras, camera/computer bags & sleeves, MP3, CD & DVD players, cameras, cell phone accessories, clock radios, clocks, coffee makers, foot massagers, hair dryers, home security systems, juicers, karaoke machines and content, kitchen appliances, personal stereos and game players, tablets, telephones, vacuum cleaners, waffle makers, walkie-talkies, weather radios.

FOOD/BEVERAGE: Baked goods, candy, cereal, cake mixes, chilled entrées, coffee, condiments, cookies, edible baking decorations, fresh produce, frozen meals, fruit snacks, gum, health bars, ice cream, juice, meats, milk, microwave meals, organics, snacks, soft drinks, sports drinks, tea, wine, yogurt.

FOOTWEAR: Athletic shoes, boots, designer shoes, flip-flops, hiking boots, pumps, sandals, shoelaces, shoes, slippers, sneakers.

FURNITURE/HOME FURNISHINGS: Beanbag chairs, beds, bookcases, ceiling fans, chairs, desktop accessories, lamps, outdoor furniture, paint, picture frames, tables, toilet seats & covers, wall coverings & wall graphics.

GIFTS/NOVELTIES: Air fresheners, animation cels, banks, bottle openers, bow-biters, boxes, candles, ceramic gift items, character clocks, Christmas ornaments and decorations, collectibles, commemorative coins and plates, die-cast collectibles, figurines, gumball machines, key chains, lapel pins, lighters, magnets, night lights, novelty watches, oven mitts, pencil toppers, pens, pre-paid phone cards, temporary tattoos & body art, wind socks.

HEALTH/BEAUTY: Fragrance; hair accessories; cosmetics, nail polish, & other, including adhesive bandages, blood pressure cuffs, bubble bath, cannabis-infused products for medical use, combs and brushes, condoms, dental floss, disinfectants, electronic thermometers, hair dryers, heart monitors, home manicure kits, lotions & hand sanitizers, massagers, shampoo, soap, tissues, toothbrushes & toothpaste, vitamins.

HOUSEWARES: Baking & cooking supplies, bath mats, bowls, canisters, carving sets, clocks, cookie jars, cups, desktop accessories, glassware, insulated beverageware, juice box holders, laminated placemats, lunch kits, lunchboxes, melamine tableware, mugs, plates, silverware, storage containers, tableware, water bottles.

INFANT PRODUCTS: Baby bags, bottles, bassinets, bibs, bumper guards, cribs, diapers, diaper bags, high chairs, infant bedding, infant clothing, infant furniture, infant housewares, infant toys, mobiles, playpens, rockers, strollers.

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PUBLISHING: Activity books, audiobooks, bath books, book & CD/DVD packages, calendars, cloth books, coloring books, comic books, fine art/limited-edition/open-edition prints, magazines, novelizations, postcard books, posters, sound books, story books, e-book and e-book apps (where storytelling is primary and interactivity secondary).

SPORTING GOODS: Backpacks, balls, barbells, bicycles, bowling balls, camping equipment, daypacks, firearms, fitness equipment, golf equipment & accessories, helmets & safety gear, ice skates, inflatable water toys, roller skates, skateboards, snowboards, sleeping bags, slumber bags, sports bags & equipment, sports uniforms, team uniforms, vinyl pools & water slides, wagons, water bottles, yoga mats.

STATIONERY/PAPER: Address books, birthday candles, balloons, bookmarks, calendars, checks, diaries, gift bags, gift wrap, digital and print greeting cards, invitations, journals, memo boards, note cards, notepads, office supplies, paper party decorations, paper tableware, party goods, pens & pencils, postcards, rubber stamps & pads, school supplies, digital and print scrapbooking supplies, stickers, Valentine cards.

TOYS/GAMES: Action figures, activity sets, arts & crafts sets, beach toys, board games, card games, craft & model kits, die-cast vehicles & models, dolls & accessories, dominoes, finger toys, flying discs, Halloween costumes/makeup/masks, hobby sets and supplies, kites, learning toys, marbles, playing cards, plush/stuffed toys, puppets, puzzles, rack toys, radio controlled toys, ride-ons, robotic toys, science kits, scooters, sound chip toys, trading cards, yo-yos.

VIDEO GAMES/SOFTWARE/INTERACTIVE: Interactive games (console, online, mobile, downloadable and physical), apps (except e-books), educational software, productivity software, reference software, screen savers, utility software, arcade games, casino games & slot machines, e-mail messages, emoji/emoticons, electronic games (handheld & tabletop), pinball games, simulation software.

OTHER: Hardware & paint; gardening; pet products; funerary; automotive accessories; boats & vehicles; musical instruments; tobacco/smoking products; houses and home plans.

NOTE: Non-retail products and services are not included in this list of licensed merchandise categories, but comprise a growing sector of licensing. Examples include: content licensing, experiential licensing, educational services, travel services & cruises, dating services, location-based licensing, advertising and promotional licensing, and the like.

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ABOUT THE LICENSING LETTER

THE LICENSING LETTER (TLL) is an exclusive networking and information resource that provides research on consumer behavior, marketing trends and licensing to the world's leading brand marketers, advertising and promotion agencies, entertainment and media companies, and the licensing community.

"The Licensing Letter Sourcebook" is an annual directory of licensors, agents, manufacturers and service providers endorsed by the Licensing Industry Merchandisers Association.

TLL's syndicated research includes:

- The Licensing Letter Compensation Report
- International Licensing: A Status Report
- The Licensing Letter Sports Licensing Report
- The Licensing Business Databook
- The Global Market for Licensed Preschool Properties
- Partnership Marketing Brand, Media & Entertainment Directory

and others.

THE LICENSING LETTER (TLL) is published by Plain Language Media. PLM publishes newsletters, research studies and directories which focus on management, marketing, consumer and retail trends. The company also produces conferences, seminars and webinars.

TLL was founded in 1977 by the late Arnold Bolka. Ira Mayer served as publisher from 1990-2014, at which time the newsletter and its related publications were acquired by PLM.

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Plain Language Media, LLLP
PO Box 509
New London, CT 06320
Phone: 888-729-2315 | Fax: 855-649-1623
customerservice@plainlanguagemedia.com
www.thelicensingletter.com

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